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NOTES ON THE LANGUAGE OF POLITICS

I

FORTY years ago, in his presidential address to the American Political Science Association, A. Lawrence Lowell, an acute and suggestive writer on government before and after he became president of Harvard University, remarked that the subject to which he and his brothers in the Association devoted themselves lacked "the first essential of a modern science." This essential, in Mr. Lowell's opinion, was "a nomenclature incomprehensive to educated men." The natural scientists employed "terms of art which are exact because barbarous; that is, remote from common usage and therefore devoid of the connotations which give to language its richness and at the same time an absence of precision." The political scientists had no such terms. During the forty years since Mr. Lowell wrote, the language of politics has not become much more precise.

from G. Bernard Shaw to which it gave the title "Rebuilding Babel". Shaw, as "a man of letters", appealed to the government "to appoint a select committee to settle our political nomenclature." He said that the matter was urgent; that the present confusion of tongues "was heading straight for a war which none of the powers can afford and nobody desires." He discussed the impossibility of negotiation "unless the parties use the same words for the same things and understand what the words mean." When he described himself by this or that ad-

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jective he knew what he meant, but no one else did. Shaw was "basically a Marxist communist", but he nevertheless looked "to private enterprise for experiment and invention in industry, art, and science as the proper sphere of individual talent and genius in the leisure which Socialism alone can gain for everybody." He concluded by saying: "Even liars need a language that will enable them to lie unambiguously. To the truthful the present impossibility of wording their messages without being misunderstood is an agony."

With some reservations, Sir Ernest Barker supported Mr. Shaw's suggestion. Instead of a dictionary, there should be a glossary which was a partial dictionary, or "a list, with explanations, of technical terms". Sir Ernest recalled that, during the inter-war period, the Institute of Intellectual Cooperation had launched a project for an international glossary. The hope was "that similar words in different languages (often used with different connotations or associations) should be exactly defined and that each nation should thus be enabled to understand exactly the political terms of the rest." The project was dropped. UNESCO should take it up again and, meanwhile, Sir Ernest proposed, each nation might publish "separately its own edition of the terms analyzed in its own language." My view of either undertaking is the view that Dr. Johnson took of a dog walking on his hinder legs. "It is not done well," he said, "but you are surprised to find it done at all." Even if there could be agreement on definitions, men would differ on their meanings as they would on the words themselves. "Tie a man to a text," said Renan, "and he will always escape in the exegesis."

"For a multitude of causes unknown to former times are now acting with a combined force to blunt the discriminating powers of the mind." So Wordsworth wrote in 1798, and a century and a half later blunting causes are numerous and serious. Reynaud, the last prime minister of the Third Republic, who was less blunted in analysis than he was in action, summed up the matter by saying that the weakness of democracies was the lack of *la lucidité et l'audace*—clearheadedness and courage. One reason for the want of clearheadedness is

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the fact that the terms we use in writing about politics have double and treble meanings, and when we necessarily employ them, we are not careful to specify just what we mean. Napoleon wanted a code drafted so clearly that not only the well-intentioned would understand, but the ill-intentioned could not claim any justification for misunderstanding. All too frequently we try to discuss political questions in blissful unawareness of the fact that friends may not be able to, and foes may have ample grounds for claiming that they cannot, comprehend what we are saying.

In his argument in the Atlantic Fisheries Case, Elihu Root declared:

> Words are like those insects that take their color from their surroundings. Half the misunderstanding in this world comes from the fact that the words that are spoken or written are conditioned in the mind that gives them forth by one set of thoughts and ideas, and they are conditioned in the mind of the hearer or reader by another set of thoughts and ideas, and even the simplest forms of expression are frequently quite open to mistake, unless the hearer or reader can get some idea of what were the conditions in the brain from which the words come.[1]

That was said in 1910. It was many years later that we began to hear of "semantics". Or, as Mr. Justice Holmes pointed out in *Towne* v. *Eisner*,[2] "A word is not a crystal, transparent and unchanged." On the contrary, "it is the skin of a living thought and may vary greatly in color and content according to the circumstances and the time in which it is used." Holmes's example was "income", which did not necessarily mean the same thing in the Constitution as it did in the Income Tax Act a century and a quarter later. "Interstate Commerce" is another and better example of the same kind, but such terms are crystal clear in comparison with some words that are the usual vocabulary of those who speak and write on politics.

[1] Robert Bacon and James Brown Scott, eds., *North Atlantic Coast Fisheries Arbitration at The Hague—Argument on Behalf of the United States by Elihu Root* (Cambridge, 1917), p. 24.

[2] 245 U. S. 418 (1917).

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"Give me again my hollow tree, a crust of bread, and liberty," was Alexander Pope's plea in one of his *Satires*. Those who are not in resistance movements insist upon a more comfortable habitation than a hollow tree and are not content with mere crusts, and we all want liberty (even though at times we seem to care little about it), but each of us prizes some liberties more than others. What do we mean by liberty? Lord Acton defined it as the "assurance that every man shall be protected in doing what he believes his duty against the influence of authority and majorities, custom and opinion." It was not "a means to a higher political end" but was "itself the highest political end." The Russians maintain that there is more liberty in their country than there is in the Western World. To us it seems that the only liberty in Russia is to do as one is told.

Or take a word like "democracy", which Woodrow Wilson never defined when he wanted the world made safe for it—a slogan which would have been no less true if it had called for making democracy safe for the world. American presidents and secretaries of state have used the word "democracy" when they insisted that Poland, Bulgaria and Roumania should try a lot of it even though they had never known it before. The Russians, perhaps not insincerely, maintain that their system permits some political democracy and encourages more economic democracy than we have. But then one recalls the dialogue between a Russian and an American soldier, somewhat briefer and less *faisandé* than the discussion of forms of government by the seven Persian noblemen in Herodotus. "Democracy", said the American soldier, when he was being heckled by a soldier in an army which was then his ally, "means that I can leave here, go to Washington, go to the front of the White House, and shout: 'Truman is not a good President. We want a better President than Truman,' and nothing will happen to me." The Russian soldier replied: "We have democracy also. I can leave here. I can go to Moscow, and to the front of the Kremlin and can shout: 'Truman is not a good President. We want a better President,' and nothing will happen to *me*."

A liberal, we can say with Isaiah, "deviseth liberal things; and by liberal things shall he stand," which does not get us

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very far. Some, who call themselves liberals say that they are "a little left of center", but the middle point of the political circle will not stay fixed. A liberal has been defined as one who has an open mind—a skeptic would say open on both sides, since no coherent doctrine stays in it—and thus can be one who raises doubt and indecision to the level of a principle. Mr. G. P. Gooch, in an article on Lord Acton,[1] calls a liberal "something of an optimist about human nature" and does not discuss whether the events of the last twenty years have shaken his faith. Just before the Franco-Prussian War, Louis Napoleon announced that he was trying to make a "liberal empire". And in the Thurber-Nugent play of a few years ago, *The Male Animal*, the audience burst into raucous laughter when the callow editor of a student paper announced that he was no longer a fellow traveler. He had journeyed to Damascus and had seen the light. He could now best describe himself as an "unconfused liberal".

Or take the word "socialism". "We are all socialists now", said the British Chancellor of the Exchequer, Sir William Harcourt, in the eighties. Of course he was being impish, although the progressive income tax for which he was arguing was "socialistic" in that the state was reforming, albeit slightly, the distribution of income. When, nearly fifty years after Sir William Harcourt's remark, New York City bought out the two privately owned subway companies and the members of the New York State Chamber of Commerce were strongly in favor of the transaction, they refused to admit that it favored a particular kind of municipal socialism. The proposals were not socialistic. They simply looked to the ownership and operation of the subways by the City.[2] Apparently the Chamber of Commerce would have agreed with Gabriel Heatter, who is reported to have said—not, I imagine, when he was on the air—"You can't be a little bit socialist or communist any more than you can be a little bit pregnant."

[1] "Lord Acton: An Apostle of Liberty", *Foreign Affairs*, July 1947, p. 629.

[2] Chamber of Commerce of the State of New York, *Monthly Bulletin*, October 1936, p. 118.

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Many other commonly used terms have no clear meanings: equality, justice, collectivism, communism, capitalism, free enterprise, fascism, sovereignty, autocracy, and dictatorship. In the 1949 New York senatorial campaign, candidates argued passionately about their belief or disbelief in "statism", which the *New Oxford English Dictionary* defines as "the government of a country as opposed to anarchy." Words may be windows, but through these windows one may peer on several different views.

Error "is never so difficult to be destroyed as when it has roots in language.... Improper terms are the chains which bind men to unreasonable practices." Thus Jeremy Bentham, and he might have added that labels keep men from seeking reasonable practices. Experiments like the unification of London passenger transportation (which was effected by a Conservative government), nationalization of the Bank of England, or municipal ownership and operation of New York City's subways should be considered on their merits and not be defended or criticized by the use of a particular word. As Thomas Hobbes said, "Words are wise men's counters, they do but reckon by them; but they are the money of fools."

The mathematician deals with figures and symbols. The writer on politics must use words, and it is therefore possible for him to do something that the mathematician cannot do—attempt a swindle. Just as disastrously, the writer or speaker on politics can let words swindle him. The language used by the British Labor government since it came into power permits a double swindle. Its planning seeks to establish a "democratic society"; the aims are "integration" and "coördination"; price policy must be "sound and reasonable"; everything done "to put things right" must be "conditioned by the public interest" and stand "the test of national service". To Mr. Hugh Dalton a Treasury policy was wise because it made him hear a "song in my heart".[1] This is not to say that a Conservative government, facing the pickle in which England is, and using different terms, would avoid hoodwink-

[1] I borrow most of these examples from John Jewkes, *Ordeal by Planning* (London, 1948), pp. 122-127.

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ing itself and the public. But in England words have been used to swindle. Even when this is not the case, there or elsewhere, double meanings are inevitable. Freedom to the members of the National Association of Manufacturers is something different from freedom to members of the United Mine Workers of America, and the latter may have a much smaller measure of it than the manufacturers in so far as subjection to the leaders of their organization is concerned.[1]

II

These difficulties are of long standing. In 1832, Sir George Cornewall Lewis used his inquiring and learned but unoriginal mind in an endeavor to encourage more exact uses of words in the communication of ideas on politics.[2] He has had and will continue to have many imitators. Since Mr. Lowell delivered his presidential address, political scientists have invented few terms that are "exact because barbarous". But workers in other, closely allied social sciences, who discuss political matters, have developed a terminology which is barbarous and not exact. Much of it is "not only incomprehensive to educated men" but also, I suspect, to many practitioners in the particular social science in question and sometimes even to its inventor and user.

Thus I come on such expressions as "the institutional hierarchy", "the omnibus symbol", and "teleological orientation". Behavior is of various kinds: "political behavior", "subsistence behavior", "economic behavior", "control behavior", "anarchic behavior", "chiliastic behavior". Culture is defined as "behavior mediated by social symbols". I learn that personality "is a social system in and by which an organism makes similar adaptations," and that it is possible

[1] I am not talking about a quite different matter—that old meanings of words fall into disuse. Thus Christopher Wren's design for St. Paul's Cathedral was approved as being the most "artificial, proper and awful", that is, solemnly impressive, sublimely majestic. The *Prayer Book* contains an intercession for judges and magistrates that they may "truly and *indifferently* administer justice", that is, that they may be unbiased, disinterested, evenhanded.

[2] *Remarks on the Use and Abuse of Some Political Terms*, New Edition, with notes and introduction by Thomas Raleigh (Oxford, 1898).

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to "structuralize" a new system of ideas. A person is "the subjective correlative of the institutional order or of the social culture society", and I am inclined to agree with the Dickens character who in *Martin Chuzzlewit* said: "I don't believe there's no sich a person." Adjectives like "social" or "socio-" or "socio-economic" or "socio-political" appear (oftimes it seems indiscriminately) before structure, statistics, dynamics, process, force, class, tension, situation, change, control, conjuncture, system, construct, institution, causation, lag, engineering, and pressure. "Speak English!", said the Eaglet in *Alice in Wonderland*. "I don't know the meaning of half those long words, and, what's more, I don't believe you do either."

These examples come from writers who want general readers and who are unhappy when perused only by their fellow writers. And when the language becomes prose, one has to conclude that its users must be talking to an extremely limited audience or even sometimes only to themselves.

"Institutionalization of patterns is a matter of degree." "Orientation to particular situations is only partially determined by institutional norms even within the realm where this is intrinsically possible." "Action is itself a function of institutionalized definitions of social situations." "Fundamental psychological processes and reaction patterns are involved in types of deviance from an established set of institutional roles and definitions of the situation which lead to structural innovation." "Institutions are the patterns which define the essentials of the legitimately expected behavior of persons insofar as they perform structurally important roles in the social system." No, these bits are genuine. I could not make them up and so I relished the colloquy in Mr. John P. Marquand's novel *Point of No Return*. "It's like all sociological books", Charles said. "It's a little over my head. It has a queer style."

"It isn't meant to have style", Malcolm said. "Scholars suspect anything with style." [1]

[1] P. 60 (Boston, 1949). "The words were as heavy as Johnson's words, without any of their waxy Chippendale polish. Social scientists were usually involved writers, who continually tripped over a jargon of their own invention" (p. 144). *Cf.* Samuel T. Williamson, "How to Write Like a Social Scientist", *The Saturday Review of Literature*, October 4, 1947.

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Sometimes, alas, even political scientists trip. One of my distinguished confreres once wrote that the outstanding political trend of the age is

> (1) toward the rapprochement of the economic and political; . . . and (2) of the economic, the political and scientific . . . . The phase of an assumed separate and independent organization, or of ideologies postulating such a dichotomy, is passing away, and we may look forward to a fusion of these elements in such a manner as to make them indistinguishable, institutionally and as factors in social control.

On this Mr. Lewis Gannett remarked: "If that is the way professors of political science talk in . . . [a certain university], it is easy to see why President Roosevelt chose most of his Brain Trusters from Columbia."[1] "I always think", wrote Lord Thring of Walter Bagehot, "that a man is a master of his art in proportion as he can dispense with its jargon and no writer with whom I am acquainted has dealt so much with technical details with so little technical phraseology."

All that I am here insisting upon is intelligibility—a "social act of grace" that "no writer of the eighteenth century ever dreamed you could omit" and thus ignore the interests of the reader.[2] To be sure, if the historian or writer on politics attempts no more than this, his chronicle or his tract for the times will be little more than an ugly, shapeless pile of the stones that he has collected. But the observer will at least know the kinds of stones they are. I am not even asking for an observance of the artificial rules Comte laid down for himself and which are worth remembering: no sentence longer than five lines of print; no paragraph with more than seven sentences; no word save auxiliary monosyllables repeated in consecutive sentences. (I would permit repetitions for the sake of clearness and to permit emphasis.) My present complaint is only against verbal coagulations. Invented or borrowed words do not necessarily make for exactness. They only pretend to do so. For a word

[1] New York *Herald Tribune*, November 6, 1934.

[2] E. M. W. Tillyard, "Research in the Humanities", *Yale Review*, Summer, 1949. Mr. Tillyard adds: "It seems to me a terrible thing that research work that purports to be humane and to deal with matters of culture should by its manner of writing flout the very things it professes to promote."

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cannot of itself explain anything. It can do no more than convey the meaning of an explanation that has already been found. Those who mint words should make sure that they are not counterfeiting and should remember that speech was not given man so that he could disguise his thoughts.[1]

Of course more is necessary if what social scientists write is to be read by more than other social scientists and unfortunates who are taking courses. Perhaps the refinements that most of us ignore do not matter greatly. Those of us who teach may think and say that a class has feminine and masculine members. But feminine and masculine refer to gender, the sex of words, and not to sex proper; a class has female and male members. We do not make but we earn our modest stipends.[2] The meaning is clear in both cases.

Consideration for the reader that goes beyond the writer making himself understood has interested the historians more than it has other social scientists, and, strangely, the historians have been *con* as well as *pro*. Forty-five years ago, the Regius Professor of Modern History at Cambridge announced that "history is a science, no less and no more." Until history ceased to be "regarded as an art the sanctions of truth and accuracy could not be severe." Then he went on:

> The facts of history, like the facts of geology or astrology, can supply material for literary art; for manifest reasons they lend themselves to artistic representation far more readily than those of the natural sciences; but to clothe the story of a human society in a literary dress is no more the part of a historian as a historian than it is the part of an astronomer as an astronomer to present in artistic shape the story of the stars.[3]

[1] A distinguished sociologist, Louis Wirth, has said: "The findings of social science are sometimes regarded as elaborate statements of what everybody knows in language that nobody can understand." "Responsibility of Social Science", *Annals of the American Academy of Political and Social Science*, volume 249, p. 147 (January 1947). Mr. Wirth might have added that the language is such that the reader frequently is unaware that what is being said is something that he already knows.

[2] For these and other interesting refinements, see Ambrose Bierce, *Write It Right* (New York, 1943). Of interest is Norman Lewis, "How Correct Must English Be?", *Harper's Magazine*, March 1949.

[3] J. B. Bury, *An Inaugural Lecture* (Cambridge, 1903), p. 16.

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This is the sheerest nonsense. Perhaps Professor Bury exuded it because he was a poor writer. Later Eddington and Jeans were to show that the story of the stars could be clothed " in a literary dress ".

A great living historian, Professor G. M. Trevelyan, has held an opposite philosophy and has acted on it. The first task of the historian, he points out (and it is the task as well of the writer on politics), is to get his facts and sift his evidence. He must decide what is important and what unimportant. Then he must " play " with the facts he has gathered, " select " and classify them, and " guess " and " generalize ". Last but not least " comes the literary function, the exposition of the results of science and imagination in a form that will attract and educate our fellow countrymen." For this last process, Professor Trevelyan says, " I use the word literature because I wish to lay greater stress than modern historians are willing to do both on the difficulty and also on the importance of planning and writing a powerful narrative of historical events." [1]

And from a distinguished historian on this side of the Atlantic, Professor S. E. Morison, there comes a plea no less earnest and eloquent. He quotes Theodore Roosevelt's presidential address to the American Political Science Association in 1912: unless writing is vivid it will not be truthful; " for no amount of dull, painstaking detail will sum up the whole truth unless the genius is there to paint the truth." Mr. Morison laments the fact that so little historical writing is read outside the profession, and, practicing what he is preaching, gives advice that to some, unhappily, will seem lacking in profundity because it uses vivid illustrations and is set down in racy language.[2]

[1] *Clio, A Muse, and Other Essays* (London, 1913), p. 31.

[2] *History as a Literary Art* (Boston, 1949), Old South Leaflets, Series II, No. 1. " The most austere research student in the most obscure American university will not deny that F. W. Maitland was a scholar, but he wrote in a style so limpid and concise, so perfectly and unselfconsciously adapted to its purpose, and so seldom spoilt by the wanton pursuit of eccentricity that it has won over many a young man who would not otherwise have reflected for five minutes on the nature of medieval corporations." " Writing History ", *The London Times Literary Supplement*, November 13, 1948.

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III

Since, for some years, mindful of what I had often suffered, I have taken pains (perhaps unsuccessfully) not to cause suffering to readers, I turned with avid interest to Mr. Harold Lasswell's recent book, *Language of Politics: Studies in Quantitative Semantics*.[1] To be sure the subtitle was confusing. The dictionaries define semantics as " that branch of philology which is concerned with the meanings of words." A quantitative branch of philology? Quantitative meanings of words such as democracy? Or some of the inspissated barbarisms that I have listed? Mr. Lasswell is a highly original thinker but ofttimes in reading him I have been reasonably confident that he was talking only to himself. " Now ", I said hopefully to myself, " this title seems to show awareness that unless a writer uses lucid language the reader is justified in concluding that his thought is confused." My hope was vain.

The theme of the book is " that political power can be better understood in the degree that language is better understood and that the language of politics can be usefully understood by quantitative methods." To the first proposition there can be no dissent, although I note an emphasis on the power aspects of politics which some post-World War II writers seem to think are new phenomena and thus make me conclude that they have forgotten Machiavelli.[2] The second proposition is not so self-evident. Quantification has its uses, but quantitative methods of understanding some of the political terms I have listed? Hardly. It soon develops, however, that Mr. Lasswell is here interested in little more than the language of propaganda and that whether or no propaganda is measurable is more important than the preciseness or the connotations of the words that clothe it, or which are used to describe the manner of its detection.

Before he gets to the quantitative analysis of propaganda, Mr. Lasswell gives us three introductory chapters. The first,

[1] New York, G. W. Stewart, Inc., 1949, vii, 398 pp.

[2] Some recent writers on international relations apparently do not know William Morton Fullerton's *Problems of Power* (New York, 1913).

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on "The Language of Power", seems to me to say little more than that men choose words or use imagery in order to influence their readers and thus amplifies Robert Louis Stevenson's remark that man does not live by bread alone but by catch phrases. Mr. Lasswell says that "political scientists" who have studied language "have developed several broad categories."

The first is the "political myth", and to explain what this is Mr. Lasswell borrows a sentence from a student of the English Constitution, best known for his exhibition of the "rule of law"—that is, the use of the ordinary courts of law to determine issues between the citizens and the officials of a state. It may be, as Sir Cecil Carr remarked before the advent of the present Labor government, that Great Britain has gone off the Dicey standard, but in another connection Mr. Lasswell is justified in quoting with approval:

> The whole body of beliefs existing in any age may be traced to certain fundamental assumptions which, at the time, whether they be actually true or false, are believed by the mass of the world to be true with such confidence that they hardly appear to bear the character of assumptions.[1]

This language is simple and clear, and the thought unexciting. Marx and John Stuart Mill said substantially the same thing. "If a man were permitted to make all the ballads, he need not care who should make the laws of a nation."

In Mr. Lasswell's view the political doctrine differs from the political myth in that it "consists of the basic expectations and demands concerning power relations and practices in the society." The third category is the political formula, which is "the part of the political myth describing and prescribing in detail the social structure." The divine right of kings, for example, seems to be a political doctrine. The uses of the royal prerogative would follow a political formula. Mr. Lasswell elaborates:

[1] *Lectures on the Relation Between Law and Opinion in England During the Nineteenth Century* (London, 1924), p. 20. Sir Cecil Carr's *mot* is in his lectures, *Concerning Administrative Law* (New York, 1941), p. 26.

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> The political formula is both prescriptive and descriptive—it is normatively ambiguous in a characteristic way. It is prescriptive in inducing conformity to its specifications, and providing the symbols invoked in the detailed justification of crimination of particular power practices. But it is also descriptive—actually, in the degree to which there is in fact conformity to its requirements, and purportedly in that the formula is widely accepted as correctly describing power patterns and practices (p. 12).

On this I cannot refrain from remarking that one who analyzes the language of power politics should sometimes pause and analyze the language of his own analysis.

In his second chapter, Mr. Lasswell "is compelled to blaze a new path" and outlines "a theory of style for the guidance of thought and research." He leaves to "others the problem of style in the sense of Swift's 'proper words in proper places.'" But what remains? Indeed, he does not leave Swift's problem to others. "Style in the language of politics", Mr. Lasswell goes on to say, "is the arrangement of the parts of which a political communication is made." Then in more diffuse language: "Style, it may be repeated, is a function of expectation about style-effect relations; and this is a matter of drawing rational inferences about the predispositions with which an audience approaches a situation" (p. 27).

Mr. Lasswell moves from the general to the specific. "In many respects the most striking correlation between politics and style is with despotism and democracy." Correlation with despotism he illustrates by quoting the grandiloquent title of the British King: "By the Grace of God, of Great Britain, Ireland and of the British Dominions beyond the seas, King, Defender of the Faith, Emperor of India"—a title which the dissolution of the British Empire has somewhat abbreviated—and the language which George used when he announced the Royal Intention to hold an Imperial Durbar (1911). But surely this is not blazing a new path. Nearly seventy-five years ago, when Queen Victoria wanted to become an Empress, Disraeli defended the step by saying: "It is only by the implication of titles that you can often touch and satisfy the

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imagination of nations; and that is an element which governments must not despise." [1]

When communities become democratic, "leaders reach out for the common speech, and adopt simple, man-to-man manners." But there are other than "causal" factors that affect style:

> Of no less interest is the impact of style on response. The *pragmatics* of style comprises both "cause and effect" (interdeterminative) analysis. The main incentive for studying the speeches of Wilson, Roosevelt or other orators has been to learn more about the technique of effective public discourse. No doubt, this will continue to be the most patiently cultivated part of the field of research on communication.[2]

But more is desirable. Mr. Lasswell thinks that

> the study of style may make its largest contribution in relation to the problems of interpreting significant political trends. Certain changes in style may indicate the gradual decline of democratic feeling, or reveal the ground swell of gathering crisis. Style characteristics may prove to be diagnostic criteria for the disclosure of destructive or creative political personalities. For style is not to be dismissed as ornamentation. The most important thing to be said about style is that it cannot be exhausted, since style is an indispensable feature of every configuration of meaning in any process of communication. The analysis of what is communicated—of content—calls for the examination of pur-

[1] In the parliamentary debates on the proposal, it was suggested that, to satisfy the oriental subjects of the Crown, the King's title might be phrased as follows: "Brother of the Sun, Half Brother of the Moon, Absolute Controller of the Ebb and Flow of the Sea, and Supreme Lord of the Twenty-four Golden Umbrellas."

General Douglas MacArthur evidently paid careful attention to the language of the proclamation he issued when he returned to Philippine soil: "People of the Philippines: I have returned. By the grace of Almighty God, our forces stand again on Philippine soil—soil consecrated in the blood of our two peoples . . . .

"For your homes and hearths, strike! For future generations of your sons and daughters, strike! In the name of your sacred dead, strike!

"Let no heart be faint. Let every arm be steeled. The guidance of Divine God points the way. Follow in His Name to the holy grail of righteous victory!"

[2] Lasswell, *op. cit.*, p. 38.

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signs which are the elementary units of communication, style is a structural fact about any completed sequence.[1]

Only the irreverent will think of *Alice in Wonderland*, but manifestly much remains to be said on the language of politics. Hence I venture, somewhat hesitantly, to add a few brief notes on several kinds of political English.

IV

We used to be told that only the professionals could handle expertly the language of diplomacy. They must know when not to call a spade a spade. Now it may be true, as Oscar Wilde (I think) once said, that a man so reticent should be compelled to use a spade, but Wilde was writing as a literary fellow. Draftsmen of diplomatic dispatches and notes apparently used to think that they must be "diplomatic" in the colloquial sense. They softened their language by double negatives, "My government cannot remain indifferent"; or by single negatives, "My government cannot fail to be concerned"; or by hesitant positives, "My government views with concern"; or less hesi-

[1] The two chapters I have discussed justify the title Mr. Lasswell gives his book. A third chapter replies at length to the question, "Why Be Quantitative?" A briefer answer is, "whenever being quantative will throw additional light." (In *The Government of England* [New York, 1908], Mr. Lowell was quantitative in respect of some matters, e.g., the lessening frequency, as party discipline tightened, of government defeats in the House of Commons. Mr. Lowell did not announce his conversion to quantification. He simply knew that on certain points he should use figures to support his generalizations.)

The rest of *The Language of Politics* deals with the methodology Mr. Lasswell used in analyzing materials in order to detect propaganda—that is, "the manipulation of symbols as a means of influencing attitudes on controversial matters". An acute reader of *The Galilean* (William Dudley Pelley's periodical) or of the cables of the *Transocean* news agency would have been certain that news unfavorable to Germany was being suppressed and that matters unfavorable to the United States were being played up. Mr. Lasswell developed ingenious methods so that "different observers could report the same thing". Reliability was "tested by determining the degree of correlation between the frequencies obtained when different analysts independently analyze the same contents", and Mr. Lasswell's testimony was admitted in evidence when the government prosecuted Pelley and others.

In another connection I have suggested that statistics may be used to pretend to be more precise about matters of which you are going to remain ignorant (*The Pollsters*, New York, 1949). Here Mr. Lasswell uses statistics to attain greater precision on matters about which you are already reasonably sure. The achievement is real—in a well-defined field.

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tant positives, "My government takes the position that. . . ." Perhaps something could be said for Downing Street or Foggy Bottom turning to a Circumlocution Office when an international situation was such that care should be taken not to exacerbate feelings or when verbal fencing was no more than an endeavor to smoke the other party out. But when international tensions are acute there comes a time when downright language may be useful and, if too downright, no more harmful than beating around the bush.

In one of his famous cartoons (they are almost all famous, but this particular one appeared in July 1939), David Low pictured Neville Chamberlain and Lord Halifax holding pieces of paper on which appeared the warning: "We shall resist and we cannot remain unmoved." The British statesmen were pointing gentle fingers at Hitler, Goebbels and Goering—men who, happily, have been exterminated. Above the sketches of the timorous prime minister and foreign secretary there was a cloud in the form of an arm and a clenched fist. The black letters on the cloud read: "We shall fight", and the Nazi leaders were quailing.

During the period of "The Gathering Storm" British official communications never used the words "fight" or "war". Hence, until the last moment, Goebbels' propaganda machine could publish in ungarbled form the British notes and the speeches of British politicians, and there was no reason for the

the Western World have been so surprised because many Germans thought that Great Britain had not warned that it would go to war? Thus Neville Chamberlain:

> Where peace and war are concerned, legal obligations are not alone involved, and if war broke out it would be unlikely to be confined to those who have assumed such obligations . . . . The inexorable pressure of facts might well prove more powerful than formal pronouncements, and in that event it would be well within the bounds of probability that other countries besides those which were parties to the original dispute would almost immediately be involved.[1]

[1] House of Commons, March 1938; quoted by Sir John Simon in August 1938.

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What previous minister had equaled this masterpiece of vagueness? Even though couched in the language of diplomacy, Lloyd George's warning at the time of Agadir had been much more forthright:

> If a situation were to be forced upon us in which peace could only be preserved by the surrender of the great and beneficent position Britain has won by centuries of heroism and achievement . . . then I say emphatically that peace at that price would be a humiliation intolerable for a great country like ours to endure.

Namby-pambyness of diplomatic language was found in important documents. Article XV of the League of Nations Covenant, for example, provided that when efforts to settle a dispute peacefully had failed, the members of the League had a reserved right " to take such action as they shall consider necessary for the maintenance of right and justice "—that is, *to go to war*. But it would have been ironical, although more honest and less confusing, boldly to use the word " war " in a document whose intention was to create a machinery to preserve peace.

The Nazis, and later the Russians, have made the language of diplomacy less urbane. The world seemed shocked when Greisler, the Nazi leader from Danzig, delivered a vituperative speech in the League of Nations Assembly and ended it with an insolent Nazi salute. When the correspondents in the gallery laughed, Greisler made a vulgar gesture with his thumb. The newspaper dispatches described this as " cocking a snook ", with the result that *The London Times* had a deluge of letters on the origin and uses of the phrase. Now, studied acrimony is no longer the exception. " If the force of an orator can be judged by the insults he makes," said Monsieur Spaak of one speaker in the 1947 United Nations Assembly, " then he has reached the summit of eloquence."

Replying to a speech by the Chinese delegate last September, Vishinsky spoke of " sordid insinuations ", " slanderous attacks ", " flagrant falsifications ", " concealment of treachery ", " double dealing ", and declared that the Chinese delegate lacked elementary truth and honesty. The British foreign minister, Mr. Bevin, has charged Vishinsky with the " constant repetition of

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untruths in the hope that someone might believe them"—language which the Speaker would have ruled out of order in the House of Commons but which might have been repeated in circumlocution. Arthur Balfour once withdrew the word "lie" and substituted the phrase "terminological inexactitude". The Soviet communication to Yugoslavia on August 31, 1949 spoke of "slanderous inventions" and declared that "every word of the assertions of the Yugoslav government is a lie." The communication replied to was "a traitor's document" and Tito's government had been guilty of "falseness and double dealing".[1] In translation, the expressions seem trite and stale, and apparently appear in all diatribes even though their subjects may be different. Perhaps some of the orators recall the legend that Achilles once stopped a war by shouting.

The language of diplomacy has had to deal with and has not surmounted two other difficulties. Diplomats in conferences are in a hurry to get home and are thus prone to be imprecise. They are reluctant to announce that they have been able to agree to nothing save that another meeting will be necessary. Hence they frequently announce a formula that is either meaningless, in which case it may do no harm, or that can be interpreted in opposite ways, in which case the harm may be great. This practice is nothing new. Some of the international arrangements following World War I could be described as "diplomacy by formula",[2] and the imprecision of the Yalta and Potsdam agreements will long plague us.

[1] Francis Williams, head of British Press Services at the San Francisco Conference, has told of the crisis that was precipitated when Molotov, at a cocktail party, casually remarked to Anthony Eden: "By the way, those Poles"—the sixteen Polish resistance leaders who had disappeared on the way from Poland to Moscow—"you Americans are so interested in, we have arrested them." All Molotov would add was that they had been guilty of "undemocratic" activity, and that he would give further information when they were found guilty. "*When*, not *if*?", Eden asked, but Molotov did not reply.

The British and Americans thereupon began to produce a communiqué. The British draft referred to the "grave situation that has been created." One of those present said, "Do you think we should say 'grave situation'?" Eden said, "No, let's call it a bloody situation." The British note used the word "grave", but the American note was more cautious in its terms. *The Triple Challenge* (London, 1948), p. 211.

[2] "Is There a New Diplomacy?", *Fortnightly Review*, May 1922. See Harold Nicolson, *Diplomacy* (London, 1939), p. 96.

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But when face-saving formulas are not involved, foreign offices ofttimes leave their own citizens uncertain as to what their government's communications really say, and they must mystify foreign governments when notes have to be translated. Insufficient effort is used to make it certain that the ill-intentioned cannot pretend to misunderstand. There is hardly a sentence in *The Federalist* papers, for example, which has to be read twice in order to discover its meaning. I have never come across any sentence that seemed to me capable of two interpretations or incapable of easy translation into foreign tongue. But take, for example, this paragraph from a State Department note to Russia replying to a Russian protest against Great Britain, France and the United States holding talks on German problems:

> The fact that it [the U.S.S.R.] now protests against the endeavors which will be made to develop constructive measures to deal with the present situation in Germany can only be construed as an effort to shift the responsibility incurred by the Soviet Government itself for the present division of Germany, with all the unfortunate consequences which this division entails, not only with respect to Germany, but for the recovery of Europe as a whole.

This is faintly reminiscent of the newspaper advertisement: "Wanted: a companion by a woman who is ill from 10:00 to 4:00 except Thursday and Sunday afternoons." If the reader thinks I am being absurd, I need only refer him to the *Style Manual of the State Department,* which advises draftsmen to avoid modifiers that are "squinting", and gives an example: "He killed himself after shooting his daughter *with poison.*" The *Manual,* using italics, solemnly points out that "*with poison,* as here placed, might modify either *killed* or *shooting.*" [1] Too often, the ordinary citizen, on whose further education the Department of State now spends a good deal of money, is forced to conclude that Foggy Bottom possesses no copies of the Department's *Manual.*

[1] P. 238 (Washington, 1937).

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V

> We know that complicated laws
> Such as a legislative draftsman draws,
> Cannot be briefly stated.

So wrote W. S. Gilbert in *The Grand Duke*. That may be true, but the language of statutes seems to justify Edmund Burke's lament that lawyers had " bewildered the world and themselves in organizing forms and ceremonies " and had " perplexed the plainest matters with metaphysical jargon." Statute books contain many perplexities and defy attempts to simplify them. " Why take the trouble to do this? ", a British civil servant once asked. " We know all about the law inside the Department, and the public finds out about it in the police court."

But the statute book is the one volume which every citizen is supposed to have read. He is expected to be familiar as well with all the regulations—the administrative legislation—that the laws have authorized. Sometimes one is reminded of the mad Roman Emperor who had the texts of statutes carved on the tops of monuments so that the populace could not read them, and there could be more punishments for violations.

Early volumes of British statutes contain enactments that are stately and readable. Consider, for example, the prose that Parliament used to enact Queen Elizabeth's defense program of 1601:

> ever else that is dearest to us; yea, and this mortal life rather than we would suffer your royal estate to be in any part diminished, or the imperial crown of this realm deprived of any honour, title, right, or interest thereunto belonging . . . therefore we do, with all duty and humble affections that heart can conceive or tongue can utter, present to your sacred Majesty four entire subsidies and eight fifteenths and tenths toward your Highness's great charges for our defense.

The modern statute book contains nothing like that.

In his Columbia University lectures *Concerning Administrative Law*, Sir Cecil Carr pointed out that the citizens of Sir Thomas More's *Utopia* could read and understand the laws, but

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he added that, unfortunately, " in the world of fact statutes are many, long and obscure. The literary appeal is inconspicuous. On the whole, the layman studies legislation vicariously. He asks his lawyer what it is all about." No diarist of today, save a lawyer, would repeat the note that Samuel Pepys made: " Up betimes and to my office and there read all morning in my statute book." Nor would a modern novelist, who, like Stendhal, had a horror of verbalism, read each day in the *code civil* as a pattern for his own composition.

Statutory jargon is unavoidable for several reasons. First the law seeks to cover every case. Legislatures (and courts) are unwilling to rely on dictionary definitions. As the railway porter said to the lady who was traveling with her menagerie: " Cats is ' dogs ' and rabbits is ' dogs ', and so's parrots; but this 'ere ' tortis ' is a insect, so there ain't no charge for it." Secondly, as Sir Cecil says, legislation must be " judge proof " and so phrased as to guard " against destructive interpretation in the law courts ". Otherwise an overburdened legislature will have to find time for correcting amendments. Simplification might increase litigation and hence in England there is reliance on legislation by reference—a practice which American draftsmen seek to, and which the constitutions of some of the Commonwealths say that they must, avoid. Thus Subsection (5) of section 21 of the British Finance Act of 1936 read:

> Subsections (2) and (3) of section 20 of the Finance Act, 1922, shall have effect as if references to paragraph (c) of subsection (1) of that section included references to the foregoing provisions of this section, as if references to a disposition included references to a settlement, and as if reference to the making of a disposition included a reference to the making of or entering into a settlement, and subsection (4) of that section shall have effect as if the reference to that section included a reference to the said provisions of this section.

One defense of this kind of drafting is that it keeps the statute book thin. If everything relevant were quoted textually instead of incorporated by reference, the annual statute book would be more bulky, although it might then be understood without referring to a number of prior enactments.

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But if the language that courts have to interpret is of a peculiar kind, the judges in their opinions have opportunities to show that they know how to use their mother tongue. Lord Balfour once said that Hell was probably a place where the only reading matter was a file of *Hansard*. Law reports can make good reading even for those who are not lawyers. Some of the opinions handed down by Marshall, Holmes,[1] Cardoza are not only law and logic but literature as well, and if some of their successors, in striving for similar effects, achieve only those that seem artificial and smell of the lamp, or that disclose precosity and not felicitousness, the qualities of those imitated seem only more enduring.[2]

VI

Then there is an English which government departments use in talking with each other and in greeting the public—an English much discussed in the United States and described by Representative Maury Maverick as " gobbledygook ". One does not " act ", but " accomplishes the implementation ". Black-out regulations called for " extinguishing all illumination " instead of " putting out the lights ".[3] " Sickness " is " involuntary absenteeism " and " because " becomes " when due consideration has been given to the fact that ".

In the dark days of the war, only a few months after he had become prime minister, Winston Churchill issued a circular calling on civil servants to stop using such phrases as " consideration will be given to carrying [illegible]

[1] See the charming discussion of these (and other) judges in Benjamin N. Cardoza, *Law and Literature* (New York, 1931).

[2] In recent opinions the justices of the United States Supreme Court have been using language about each other. Mr. Justice Black referred to the " wholly gratuitous assertion as to constitutional law in the dissent of Mr. Justice Frankfurter." Federal Power Commission *v.* Hope National Gas Company, 320 U. S. 591 at p. 619 (1944). Dissents have said that the majority rested " their interpretation of the statutes on nothing but their own conception of 'morals' and 'ethics'" and that they were willing to enforce constitutional provisions " only if the outcome pleases." C. Herman Pritchett, *The Roosevelt Court* (New York, 1948), p. 23.

[3] Mr. J. M. Landis, when Director of the Office of Civilian Defense, did better than this: " To eliminate internal or external illumination ", he wrote (or at least did not rewrite before he signed the letter), " obscuration may be obtained by black-out construction or by termination of the illumination."

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casion to write on an involved memorandum: "This is bastard English, up with which I will not put."[1] The *Manchester Guardian* called Mr. Churchill "Jack the Jargon Killer", but he was not as successful as his patronym had been.

While the problem has its amusing aspects, it is also serious, particularly in times when government departments are increasing controls and when businesses and individual citizens have their activities limited by government action. Then it is essential that government departments explain clearly to the public why it is that certain controls are necessary and to individual businesses or citizens why in specific cases it must say "No", and on what terms it will say "Yes." Realizing the seriousness of the problem, the British Treasury had a manual prepared in the hope that it might make for simpler usage.[2]

Parodists have done exquisite jobs in taking famous bits of fine English and rewriting them in the language that bureaucrats (and some professors) use. Thus Sir A. T. Quiller-Couch translated Hamlet's soliloquy as follows:

> To be or the contrary. Whether the former or the latter be preferable would seem to admit of some difference of opinion, the answer in the present case being of an affirmative character according as to whether one elects on the one hand to mentally suffer the disfavour of fortune, albeit in an extreme degree, or, on the other, to boldly envisage adverse conditions in the prospect of eventually bringing them to a conclusion . . . .

[1] Perhaps in this minute Mr. Churchill was imitating the way in which he spoke French. "There is evidence", wrote Philip Guedella, referring to the period of the First World War, that Churchill "once insisted on the importance of convincing neutrals that '*nous sommes gens qu'ils peuvent compter sur*'." *Mr. Churchill* (New York, 1942), p. 159. After World War II, at Antwerp (Anvers), Mr. Churchill said that he hoped "*retourner à l'Anvers.*" According to *The New Statesman and Nation,* the delighted crowd would not have cared whether on his return he arrived upside down or rightside up.

[2] Sir Ernest Gowers, *Plain Words: A Guide to the Use of English* (London, 1948). Sometimes in politics plain words are dangerous. Thus, when the United States was having a food shortage and the country was being urged to make some days meatless and eggless, Senator Taft offered a solution: "Eat less." That seemed brutal advice but no criticism was made when Charles Luckman, whom President Truman drafted to publicize a food saving program, proposed "Economy in the use of foods through personal restraint."

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"Q", I think, was unfair to British civil servants in making them split infinitives—a practice more common in Washington than in Whitehall.

Writing on "Politics and the English Language",[1] George Orwell (author of *Animal Farm*) quotes the well-known verse in Ecclesiastes: "I returned, and saw under the sun, that the race is not to the swift, nor the battle to the strong, neither yet bread to the wise, nor yet riches to men of understanding, nor yet favour to men of skill; but time and chance happeneth to them all." In Orwell's version of how a writer on politics might endeavor to express the same thought, the verse becomes: "Objective consideration of contemporary phenomena compels the conclusion that success or failure in competitive activities exhibits no tendency to be commensurate with innate capacity, but that a considerable element of the unpredictable must invariably be taken into account." According to A. P. Herbert, Nelson's famous challenge to his fleet at Trafalgar, "England expects that every man will do his duty", would have become, if drafted in Whitehall: "England anticipates that with regard to the current emergency, personnel will duly implement their obligations in accordance with the functions allocated to their respective age groups."[2]

VII

Happily our language of politics is not yet the Newspeak [illegible] *Eighty-four*. Devised to meet the ideological needs of Nigsoc or British Socialism, Newspeak eliminated words that were heretical: political and intellectual freedom, for example. "Newspeak was designed not to extend but to *diminish* the

[1] *Horizon* (April 1946).

[2] Professor S. E. Morison, from whom I have quoted above, gives some examples from the Bible. Isaiah, xxii:5: "For it is a day of trouble, and of breaking down, and of perplexity." The modern writer would not feel that he was giving a reader his money's worth unless he wrote: "It is an era of agitation, of a progressive decline in the standard of living, and of uncertainty as to the correct policy." Or Romans xi:25, "Wise in your own conceits" would become "Expert within the limits of your own fallacious theories."

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range of thought, and this purpose was indirectly assisted by cutting the choice of words down to a minimum."

The illustrations I have given above disclose that Oldspeak introduces new words and expressions but does not thereby extend the range of thought. On the contrary, diplomatic, bureaucratic or academic jargon brings on fogs that halt all intellectual traffic. Mr. Lasswell may think that style is not a matter of " proper words in proper places " but " a function of style-effect relations ". I prefer the conclusion of L. B. Namier, an English historian in the Trevelyan tradition:

> Between thought and style there is a constant and necessary inter-action. Turgid thought cannot flow in crystal clear language; a slovenly mind is not capable of a careful selection of words so as to give to each word its full value and right connotations and to each idea its exact and fitting expression; and to be truly discreet though vocal, free though not silent, requires skill in the use of language. In turn, constant, diligent care of language and style is a mental discipline: it pays to undergo it. Bad writing is like bad cooking—it corrupts and wastes good material and in the long run is apt to affect the digestion. Cruelty to food can hardly be eradicated in this country; but cruelty to English can be prevented.[1]

Over the years I have noticed that in the United States cruelty to food has increased. Perhaps it will not decrease. Vain may be the hope for condiments that will tempt jaded appetites, but there is no reason why writers in the field of social science cannot cease being cruel to English. A group at Oxford was once charged with hunting " for epigrammatic ways of saying what you don't think." I ask no more than that there be no hunting for ways of expression so confusing as to doom the reader to ignorance of what, or indeed whether, the writer is thinking.

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[1] " English Prose ", in *Conflicts: Studies in Contemporary History* (London, 1942), p. 218.

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THE INTER-REGNUM IN GERMANY: MARCH-AUGUST 1945

THE division of Germany has, for the period of the foreseeable future at least, been consummated. With the activation of Western and Eastern German republics, occupied Germany has become a precise expression of the general relations among its occupants, not only in a geographical but also in a political sense. Western Germany is governed by a middle-class coalition which professes political democracy and economic individualism, Eastern Germany by a popular front which emphasizes an economic and social collectivism, while the limitation of joint government to vestiges of four-Power control in Berlin signifies the tenuousness of the connections which subsist between the Western and Eastern occupying Powers. This provisional solution has hardly met with general approbation; for, if the popular front in Eastern Germany is but a façade for Communist domination, the governmental coalition in the West is far to the political Right even by German standards. The promised democratization has not yet been effected, despite the official crust of constitutional provisions and party platforms. Political life is constituted by a post-Nazi vulgar nationalistic spirit and a pre-Nazi institutional structure. The two elements are separate, the one politically formless, the other [illegible]. In neither zone can a genuine and vital interplay betweeen popular energies and political organization be said to exist.

In retrospect, consequently, the continuing "German problem" is commonly seen as a specific function of general United States-Soviet relations and the foreign policies which have followed therefrom. But the division of Germany, for which each occupant currently blames the other, was a fact before the major post-war foreign policies, toward either defeated or Allied Powers, were formulated. In the period between military occupation and the Potsdam Agreement, the victorious Powers, acting instinctively upon a German society which threw up no

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native limitations to the possibility for action, created in their respective zones conflicting structures which subsequent policy could not reverse. What has happened in Germany since Potsdam has been simply a consistent development from the action of a disparate occupation upon a malleable German scene during the early months of military rule.

For five months, between March and August of 1945, occupied Germany was administered without a government. Before March the occupation had been limited in the West to a small sector of the Rhineland just behind the front lines, where military government was conducted as a training ground for the real job to come; in the East it had been restricted to a narrow strip of East Prussia destined for Russian annexation and to the trans-Oder provinces turned over to the Poles by the Red Army. The spring offensives on both fronts brought Germany progressively under Allied rule, ending with total occupation and German surrender on May 7, but it was not until the Potsdam Agreement was issued on August 8 that the four-Power agency and an authorized policy for it came into operation as a sovereign governing power for Germany. By this time, however, the inter-Allied authority found, not the political *tabula rasa* upon which its rule was predicated, but a situation already consolidated along certain lines.

The German Scene upon Occupation

To the entering Allied armies, German society looked dead. The institutions making for economic and social cohesion were dissolved; great masses of the people were apathetic. Society seemed to have disintegrated horizontally into an agglomeration of isolated localities and to be atomized vertically into an agglomeration of isolated individuals.

The physical destruction of cities, industries and transportation; the resettlement of millions of air-raid refugees away from their homes; the withdrawal of able-bodied men from social life into the armed forces; the mass evacuation of populations from the Rhineland and Eastern Germany before the advancing Allied armies—all these had weakened the natural lines of cohesion in society. To these factors were added the

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confusion and tension brought by the approaching battle front, with its conflict between Nazi orders for a last-ditch fight and sabotage on the one hand and the Allied warnings to coöperate with the new military government on the other.

Military defeat alone had not brought about the situation which confronted the Allies. It had rather set off a kind of chain reaction in German society of which this was the final effect. Military defeat meant the end of the Nazi party, and the end of the Nazi party meant the collapse of most of the organizations and institutions which had given coherence to German life for a dozen years.

To be sure, a few older organizations friendly to the purpose of the new régime, or at least not inclined to oppose its political aims, had been allowed to continue after the Weimar period—public administration, economic and professional associations, the school system (including universities), and the churches. These old bulwarks of conservative middle-class power, traditionally hierarchical in structure and favorable to the existing social order, were allowed to continue, because of their technical competence and their claims to a national but nonpolitical validity, as dams against revolution. But practically all other organizations—political parties, trade unions, independent cooperatives, youth groups—had been replaced by Nazi formations which collapsed with the party. The hold of the Nazi party on German society had become stronger, not weaker, with the progress of the war [illegible] the only articulate will in German society—it took over and identified itself with every institution and activity essential to the war society, thereby becoming the sole power holding the fabric together. The general immobilization which ensued with the collapse of Nazism betrayed the extent to which German social organization had become political, and this was the basic condition on which any reëstablishment of that organization had to take place.

Thus with the occupation of an area all social activity ceased: administration broke down as the key Nazi personnel absconded after evacuating or burning the records; industries and shops closed; all means of transportation and communication were

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suspended for Germans; newspapers no longer appeared; radio transmitters were taken over by the occupying armies; all courts were suspended; schools remained closed. People could congregate only for religious worship. The collapse of institutional life meant not only the disappearance of all elements of control and cohesion from above but also stagnation of mass activity from below. The masses, bereft of all forms of organized expression, lacking their old institutions and incapable of creating new ones, trained in the leadership principle and beaten into the habit of submission, looked to the new focus of power for the solution of their problems. They were prepared to work submissively under military government.

The appearance of German society was deceptive, however. The traditional social structure, the permanent element on which Nazi government had been based, remained in being. Nazism had frozen the conformation of German society, and after the régime fell, that society naturally expressed itself in its wonted forms. While the downfall of such a régime swept away institutions of the social groups nationally and took away their mass support, these social groups themselves remained intact, though their activity was at first merely local and individual. Group-conscious men began immediately to bestir themselves. The fact that these men, relatively few in number, did not reach the masses and that they represented group rather than general interests revealed that they followed a time-worn German pattern. In most instances they were former professional representatives of the old groups. Aware that the interruption of the German social process was only momentary and that it was possible to maintain or extend group interests on the local level by leaping into the breach left by the collapse of public authority, they sought to take over whatever power was to be left to native agency. With the exception of the Communists, an "out" group throughout the Weimar period, these men hoped, after acquiring authority, to consolidate conditions along the lines of the pre-Nazi social order and thereby fend off the radical change which continuing fluidity under the "nonpolitical" auspices of occupation might bring.

The political antagonists, as before 1933, represented the

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middle and working classes. However, since the Weimar structure had given birth to the Nazi régime, the post-Nazi political groups eschewed those pre-1933 forms which had obviously contributed to or acquiesced in Nazism, such as the parties of the aristocracy, heavy industry, and even, temporarily, the bulk of the middle classes.

Middle-class representatives, aware that their old parties were suspect and reluctant, in any event, to seek mass support without prior social controls, sought official recognition for the nonpolitical institutions which had always been the bulwarks of their power. They argued that as nonpolitical these institutions were non-Nazi, that they were permanent, neutral agencies performing essential functions for German society under any political rule. They called for a nonpolitical period, in which fundamental relationships would be frozen while the old agencies of control administered the society. The agencies through which the activist representatives of the middle classes sought to act were the churches, the public administration, the economic associations, and the school system (particularly the universities). Of these, the churches especially offered a general sanctuary, since the Catholic and the Confessional Churches had a record of resistance to Nazism (on specific religious rather than general political grounds). The singularly uniform attitude of all these organizations testified to the identity of the group working through them. In justification of their claims, they pronounced political activity [illegible] of Nazi politics upon their respective activities and proclaimed themselves liberated by the Allies from this yoke; they lamented and feared the vacuum in the control mechanism and urged that they be permitted to resume business-as-usual as quickly as possible for the maintenance of the social order. Their immediate interest was local and regional, rather than national; their concern was with a concrete way of life. In order to preserve this way of life, representatives of the middle classes often exploited the old particularist traditions in order to ward off whatever cataclysms might be in store for the abstract nation. While rarely extending to the lengths of separatism, federalism was paraded as a sign of anti-Nazism and was offered as payment in exchange for permission to start operations immediately.

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In contrast with the middle class, the working class not only had to build up its organizations anew, but also had to overcome the fact that the very destruction of its old organizations by the Nazis stigmatized them, for Allies and Germans alike, as "political". Even apart from the attitude of the occupying Power, politics for the average German was associated with Nazism, which was bad, or with Weimar, which was worse. Hence when, immediately after the Nazi collapse, the crushed remnants of the local Social Democratic and Communist party machines began unofficially to reconstitute their organizations, they attracted little mass support. They had lost many of their capable and popular leaders and were now composed overwhelmingly of professional party and trade-union administrators of a subordinate type. These men were bound to the past and had little to offer as a program beyond tenacious party loyalty and a fierce, principled anti-Nazism.

For Social Democrats this meant the automatic assertion of the moderate legal socialist program drawn up by the Weimar Social Democracy, to be grafted on to the existing social structure, which they fondly hoped had been changed by the years of Nazism and war into one that would freely support socialistic measures. Their broad definition of "Nazi" included most of the professional representatives of the middle class who, the S.P.D. felt, had betrayed Weimar. Hence the S.P.D. announced itself to be the only real representative of national democracy and sought to buttress this claim by denying collective guilt, opposing all frontier changes, and insisting upon the quick reestablishment of a united Germany.

Communists, more fortunate in their possession of a modern party line adopted by German Communists at the Brussels Congress of 1934 and emphasized from 1942 by the Communist-led Free Germany Committee in Moscow, preached the collective guilt of all Germans and redemption through the participation of all social groups, led by the working class, in an anti-fascist front for the extirpation of Nazism. Their emphasis was on a new kind of activist democracy, which would change the social structure by direct, executive means before attempting to create regular democratic constitutional forms.

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Despite local coöperation by the parties of the Left, motivated by a common anti-Nazism and a common consciousness of weakness vis-à-vis the institutions of the middle class, the labor parties remained impotent organizational shells, retaining the old mutual mistrust and bereft of the mass support which had been their strength. Since they could not reach the masses whose support they required to offset the technical competence which their middle-class opponents utilized to occupy key positions, the leftist parties were dependent upon military government for power.

The disadvantages under which its traditional institutions labored drove the Left to attempt new organizational forms. Outstanding among these was the "Antifa", a generic name covering the various anti-fascist committees, anti-fascist organizations, and the Free Germany committees which, although not organized above the local level, appeared spontaneously in almost every sizable German municipality with the weakening or withdrawal of Nazi authority. Overwhelmingly working-class in composition and leadership, the Antifa was an *ad hoc* instrument of the Left for the mobilization of all possible mass support for the assumption of governmental power in the community on the basis of an immediate action program. It sought to substantiate its desires for public authority by soliciting the membership of the liberal bourgeoisie; and usually a small minority of Left-wing Catholics and liberals did participate. The connection of the movement with communism is clear, though the identity of its program with that of the K.P.D. and the predominant rôle played by the Communist members of its multiparty executives; but for the adherents of the Antifa the decisive fact was not the party tie but that it was new, promised radical change, and offered action now. However, the claim of the movement to be nonpolitical was justified only in the sense that it did not touch the traditional political issues. It was interested in the solution of immediate, concrete problems like denazification, food, housing, repair of utilities, physical reconstruction, but the fervor it worked up over these administrative tasks and the radical action it advocated revealed the shift which the new situation had brought to the content of

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German political life. Not legislation but administration became crucial, since the stuff of social life had to be called forth before it could be ordered by legislation. Immediate problems were susceptible of alternative solutions which must necessarily reflect ultimate political and social desires and could either buttress or weaken the previous social structure. The stakes were high and the issues far-reaching; it is hardly astonishing that in cities like Bremen and Leipzig Antifas jumped the gun, exercised administrative powers without waiting for military government and continued them, even after occupation, without consulting it.

Despite its promising beginnings, the movement was fundamentally unstable. While the programs of the Antifas were similar, their structures were not. Actually, there were two different kinds of Antifas, a pure and a mixed type. The pure Antifa was a genuine organization with direct control over its individual members; party distinctions did not exist for it and it possessed its own local organization, led for the most part by young, newly risen Communists. The second or mixed type of Antifa was that of a temporary coalition among preëxisting political parties—usually Catholic (Left wing), Social Democratic and Communist. Such were the Antifas in Coblenz, Frankfort, Darmstadt and Wiesbaden. They had no independent organization, but worked through the parties, which were represented in the executive boards of the Antifas on a parity principle. They were held together by the force of circumstances which demanded a united attack by the Left upon immediate issues. Not only was this second type of Antifa itself frankly temporary but it highlighted ultimate divisive factors present but temporarily concealed in the pure type. Clearly the Antifa could survive only if its unity were forged in action and if it satisfied its members by performance. The Antifa movement, quite as much as the old parties, was dependent for its continued existence upon acceptance by military government as a recognized body with public functions.

Thus, at the time of occupation, Gemany was characterized both by a general stagnation and by an intact social structure. Far from being contradictory, these two aspects conditioned

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each other: the stagnation determined the impotence of the local groups, while the traditional class character of the groups contributed to the general inertia. Both aspects called for action by the occupying Powers and these Powers thereby became decisive not only for physical reconstruction but also for the power relationships within the society. Activity in one sphere inevitably had repercussions in the other. The Western Powers, aiming at the solution of the problem of physical stagnation, were unaware of the political ramifications of this "non-political" policy. The Soviet Union, aiming at a revision of the social structure, forced the general problems of the society within the framework of a class approach.

The difference in the conduct of Western and Eastern Powers indicated a divergence not so much in occupation policies as in the more fundamental convictions on the nature of occupation and the rôle of the occupying Power. The Western conception stemmed from the liberal principles which had guided the political development of the Western nations. According to these principles, the political and social structure of the country remained the business of the Germans. Activity of an occupying Power could be directed only toward its own military security; if denazification was included under this head it was still justified by the military nature of Nazism and was limited to a negative purge that was not to touch its social foundations. These principles combined with the respect of the West for legal [illegible] of the Hague Convention the standard for the definition of military security in the period before Potsdam. Hence the West adopted the traditional conception of occupation which established its purpose as negative and limited government to insure the destruction of the war-making power of the enemy and which imposed the obligation to maintain law and order upon the occupant. Since the Western Powers could not intervene to change the internal structure, this obligation entailed the continuation of the existing law and the existing social order. The Soviet conception, on the other hand, was rooted in the conviction that foreign policy was inextricably tied to internal social structure and that destruction of war-making power implied positive direction of

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the German social and political process. The Russians were determined to break radically with the old German institutions and to form the internal German scene in line with their national interests. From the very beginning of the occupation the Western Powers conceived of themselves as a factor above German political and social life; the Russians were determined to be a factor within German political and social life.

These disparate tendencies were in evidence even in the initial combat phase of occupation, despite the uniformity of the restrictive measures taken by the tactical commanders, who in all armies were ultimately responsible for governing conquered localities in accordance with a narrowly defined military security. First, the Western Allies took as their rule the principle of indirect administration which made use of available local governments, whereas the Russian commandants governed directly and employed German technicians only on the lowest level. Second, whereas the well-equipped Western armies brought their own self-enclosed economic system with them and required little contact with the land they conquered, the Russians intruded much more actively into the German economy for the requisition of the materials they needed. Finally, the Western troops, under non-fraternization orders, came officially "as conquerors but not as oppressors", while the Red Army arrived behind Stalin's dictum that "Hitlers come and go but the German people lives on."

The early fissure which appeared between West and East began to open disruptively when the common impress imposed by the tactical requirements of the combat phase was replaced by circumstances which favored the perpetuation of the traditional, military conception of occupation by the West and the sharp turn to a political conception of occupation by Russia. The necessity of a transitional rear-zone phase of occupation to cover an extended period between the conquest of border areas and the ending of hostilities on the Elbe, the continuation of the war in the Far East with the concomitant re-deployment of troops from Europe, and the shift from combined military operations to zonal occupation by individual Powers—all these factors applied with great force to the Western nations but not to the Soviet Union. Under these conditions, occupation for military

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purposes tended in the West to merge into and overshadow occupation for political purposes, while in the East direct Soviet intervention into German internal life quickly shifted its goal from military to political security.

Military Government in the West after the Combat Phase

When their localities passed out of the combat zone, the military government units of the Western Powers felt the continuation of the immobilized, atomized society to be the best possible guarantee of the military security required in the rear zone of a fighting army. The restrictive measures of the combat phase were continued with minor alleviations. The negative attitude toward organized social life was founded upon the recognition of the extent to which Nazism had penetrated German institutions of all kinds. Hence, in this period the policy of the Western Allies for German society was to be primarily a function of denazification policy, which continued to be considered in the light of military security. The primacy of denazification was clearly expressed in the SHAEF pre-defeat directive, which gave it priority over the revival of administrative, economic and social life.

Yet denazification, though primary, was not the exclusive canon of Allied policy. The maintenance of law and order, and consequently of enough German activity to fill basic material needs, not only was a separate obligation grounded in international law and the security of the occupying troops but also implied an encouragement of German institutions which ran counter to the restrictive emphasis given by denazification. The pre-defeat directive itself, while maintaining the primacy of the purge, recognized the claims of the alternate policy and sought to integrate them into the denazification process by providing a differential treatment for various German institutions. It emphasized, as the focal points of the purge, posts of *public* importance and clearly indicated that a distinction was intended between two levels of German society, with the restrictive policy designed for one and an open policy for the other. On the political level, denazification was to be institutional rather than personal. All organizations which could have any formative rôle in society were to be closed down immediately. These in-

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cluded schools, press, courts, professional associations, political parties, public assemblies of any kind. On the basic, or economic, level, however, denazification was to be personal, with the institutions continuing to function while individuals were being purged from them. Nonpolitical economic associations and the public administration devoted to basic activities were to continue in operation and new trade unions were to be permitted, both because such functioning was deemed necessary to the security of the occupying troops and because such "technical" institutions were considered relatively innocuous.

The actual situation, however, undermined this plan to harmonize denazification and the satisfaction of material needs by separate treatment of the political and the economic aspects of society. The plan was predicated on the cessation of the political process and the continuation of the economic process, but what the Allies found was a continuation of the political process, in the presence of small social and political groups on the local level, and a cessation of the economic process. The critical material needs created by economic stagnation not only applied pressure on military government for a positive rather than a restrictive policy but also, in view of the commitment to indirect administration, impelled it to use representatives of the political and social groups for this purpose. In short, instead of a static political situation founded on a mobile economic base, military government had to mobilize politically-minded organizations to deal with the static economic base. The original restrictive attitude toward politics was extended to the economic problem, and at the same time the more positive policy which had been designed for economic life was perforce applied to the political direction which had to begin it. The resolution of this contradiction was found in a policy which applied great caution to the revival of both political and economic life and concentrated its trust in administration, conceived as a disembodied organ rooted in neither. The ban on political activity as such remained until after Potsdam. Economic and other basic activity was permitted only gradually, on the lowest possible level, in response to military or urgent civilian needs, and even then under previously established administrative controls. These

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controls were the only aspect of German life to be revived quickly. The traditional German administrative system was admirably suited to the Allies' plight: it had functioned until the collapse and could be rapidly reconstructed; it offered a monopoly of the experience in administering German local affairs which the functionally trained military government officer lacked; it had always been accessible to the supreme authority, now exercised by military government, and inaccessible to the movements of society, now held suspect by military government. This administrative system became the fulcrum for the reactivation of German life.

Until the latter part of May, Western Germany was administered locally, on the county or municipal level. Local government, during this rear-zone phase, was dominated by the demands from the Allied armies, the needs of displaced persons, and the most urgent requirements of the civil population, like food, utilities, police protection. Satisfaction of these wants had to be created from dead, isolated cities. Most military government detachments, overwhelmed by their responsibility as the only organ of authority in a devastated area, responded to the unexpected demands for positive action by creating complete city administrations to direct the revival process as a whole. The great size and complexity of these early local governments stemmed primarily from the fact that they were essentially continuations of the administrative structure in being before the [illegible] found almost intact it was utilized; elsewhere, the elements of the old government were put together as completely as possible. Even the corporate appendages, like chambers of commerce and the Food Estate, which had been integrated into the regular administrative structure under the Nazi régime, were reconstituted as part of it in many places. The leadership principle which concentrated authority in the hands of the mayor and made him responsible, in turn, to a superior authority; the absence of any elective representative body; the laws and ordinances which had given to administration competence over every aspect of individual life—all these were carried over from the old into the new régime with the principle of administrative continuity.

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The revival of the complex administrative machine involved the reëmployment of the bureaucracy which could run it. Denazification, executed categorically on the formal basis of date and position in the party, affected individual officials but did not break the old civil service as a corporate body. Although the directives envisaged a flexible interpretation of "active" party membership and "ardent" sympathizing beyond the minimal standard, actually the discretionary authority was seldom applied in the early period. The usual procedure was to fill an administration first, giving the benefits of doubt in the definition of "nominal" party members to those with administrative capacity, and to proceed to a more drastic denazification only after the local bureaucracy had been put in working order and would not be irreparably damaged by individual replacements. The execution of denazification varied, ranging locally from the retention of many of the rural mayors to the expulsion of all party members in cities like Cologne and Frankfort and regionally from the more rigid application of the purge categories in the American Zone to the laissez-faire attitude characterizing most of British and French military government. Whatever the political implications of this variation, however, it meant little in terms of social power, for the replacements for vacated posts were drawn for the most part from dismissed or retired functionaries who carried on the old corporate traditions.

The old-line administrations were reinstituted even where the existence of Antifas provided a theoretical alternative. The Antifa, because of its dependence upon mass organization rather than technical competence, its obvious foundation upon a single social group, and the similarity between its aims and the Communist immediate-action program, was suspect to military government. In no ascertainable case was the Antifa, in its original form, recognized as the basis for public administration. The advantage held in the early period by the forces of continuity was most clearly revealed in the treatment of trade unions. They were legally permissible by the pre-defeat directive, and the old trade-union functionaries, who took the lead in reviving the local confederations, reorganized them, in response to the conditions of military government, on a centralized, bureau-

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cratic basis in order to adapt them to serve as administrative agents between the occupation authorities and the workers. Yet even these trade unions were usually refused legal recognition because they required popular support and public meetings.

The reëstablishment of the whole complex administrative structure, anterior to and for the initiation of the economic process, gave to the old bureaucracy that staffed it an unforeseen political rôle in the reactivation of German society. The strength of the control system, as opposed to the weakness of social life, made the controller dominant; the slow awakening of basic activities was guided along accustomed lines, with the principles of private ownership and social status remaining the criteria of official action, even in the crucial fields of housing, allocation of shop licenses, and labor mobilization. Moreover, the gulf between an active administration, constructed and fitted out with extensive functions by a higher authority, and an inert social base with which it had little contact, tended to perpetuate dependence and lack of individual initiative in the German people and to limit the effectiveness of administration.

The armistice on May 8 brought no change in basic policy, as the continuation of non-fraternization and its supplementation by a propaganda campaign which pounded home the idea of collective guilt to the German population attest. Still, the practical needs of the German situation called forth increasing action along the lines already established. The depletion of local stocks [illegible] and the problem of reviving economic life and of getting sufficient integration within the German society to secure this revival. Characteristically, the chief measure taken toward this end during May and June was the expansion of the administrative structure up to the regional level. Since administration was to be the dominant factor in the renewal of economic and social life, it was felt that the integration of the society beyond the local level must be preceded by an integration of the administration. The failure of the isolated local administrations, with their haphazard exchange arrangements, to get the economic process into operation led to the establishment of regional administrations as vehicles for an even more stringent and unified control over the first stirrings

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of German economic and social life. The process of centralization was further supported by the military organization of the occupying authorities. The separation of military government from tactical command did not take place until July, and in the preceding months the Allied chain of command tended to reproduce itself in a parallel German administrative hierarchy from the army level down. The strength of the factors favoring the creation of regional administrations was such that by early July almost all of Western Germany was spanned by such units despite the knowledge that many areas were yet to be transferred to their permanent zones and would require reorganization on that occasion.

The expansion of the administration to the regional level served to consolidate the middle-class bureaucracy in power. While the administrations were never composed exclusively of one party and the nonpolitical principle was thereby maintained, the idea that these were administrations and not governments led to the entrenchment of the old civil service and to the use of that institution for the establishment of a conservative political machine in power. This was intensified by the use, in the British and American Zones, of a cabinet system whereby full authority and responsibility were given to an appointed provincial president or minister-president who chose his colleagues and subordinates subject to approval by military government. In general—and this held particularly true for the British Zone—the key figures were lesser luminaries from the political Right of the Weimar spectrum. Originally the Americans tried to balance the conservative preponderance in their zone by appointing three Social Democratic regional heads, but two of the *Laender* concerned were soon transferred to other zones, while the third was merged into a larger regional unit. The collegial system utilized by the French militated against the formation of political machines. This system was based upon the separate appointments of the various department heads by military government; there was no prime minister and no connection among the various departments save through the military government. Even this approach, however, did not succeed in breaking the entrenched administrative hierarchy. While the appointees in-

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cluded isolated representatives of anti-Nazi political groups, the great bulk of the officeholders, including department heads, were nonparty bureaucrats of the old stamp.

Despite their elaborate organization, the regional administrations scarcely came to grips with the concrete economic and social situation during the period before Potsdam. While the gap between administration and society was narrowest in the British Zone, with its complete reliance upon the continuation of old patterns, and widest in the French Zone, with its fear of all German authority and its consequent dispersion of native control, it remained generally true in the West that regional administrative activity existed largely on paper. The creation of new administrative areas, the inevitable losses in records and key personnel, the absence of communication facilities, all worked against patching up the disintegrated channels of government. The most important factor in the isolation of the administration, however, was that it did not grow from the existing social situation but was an artificial construction by an alien force from the materials of that very past which had collapsed. In compensation for their actual weakness the regional administrations were equipped with far-reaching legal powers. They inherited all the centralization of function which had been established by the Nazis, for in general the pre-occupation law remained valid, and in default of a national government the administrative powers of the Reich government as well as those of [illegible] devolved upon the regional administrations. Hence, although the conditions under which the new organs were created limited their influence temporarily, they inspired a concentration of authority which was to make administration the focus of political power in the future.

Once the control system was established military government proceeded to raise the bars on several kinds of social activity, although gradually and on a local basis. Not only accumulated needs but also certain phenomena making for a more normal society exerted pressure for such measures. The release of prisoners of war in essential labor categories began in May and, together with the return of many evacuees to the cities, created

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a more characteristic composition of the urban population. Former political prisoners streamed back from the concentration camps and added a certain vitality and national color to local political life. Representatives of religious charitable organizations and officials in the new regional governments utilized their permitted freedom and facilities of movement in the service of integrating larger areas, often for party-political purposes. In time, idle children, war veterans and workers created social dangers which clergymen, self-organized university administrations and business men exploited in pressing for the reopening of their institutions. Military courts were overburdened by criminal cases; and innumerable civil suits, sprung from the fertile ground of social dislocation, piled up on the dockets. At the same time, reports from the evacuees and from Allied-controlled radio broadcasts led to a rising sense of competition among the zones which was eagerly fomented by the resident Germans. A final pressure was exercised by the continued presence of the occupying troops themselves. With the passage of time the occupant himself tended to become a component within the German society, taking a position as the wealthiest consumer and using his affluence in occupation marks to stimulate luxury production and services where it was possible.

In response to such pressures, military government permitted the creation of new institutions to accommodate local social action on a moderate scale During the months of May and June the existence of political groups was given *de facto* recognition through the institution of advisory councils in local administration. These councils were designed to bridge the gap between the administrations appointed by military government and the population they served. Although frankly composed of representatives of the various social and political groups of the community, the councils were not to interfere with the nonpolitical standard of the administration; hence their members were appointed rather than elected, and were restricted to a purely consultative function. Whether representation was interpreted on the parity principle or on the proportional strength of the various groups in elections before 1933, the council remained a compromise with the existence of legally prohibited political groups, and as such it satisfied few. It gave a left-handed recog-

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nition to the "out" political groups but no power; it was supposed to span the gulf between administration and populace but was itself looked upon as part of the former, since it derived its authority from the same source.

In July 1945 the Allied authorities prepared for the shift from military administration to political government which was to be consummated at Potsdam. These preparations manifested themselves first in the encouragement of German social and economic life under the established administrations: native courts were opened; concerts, movies, publications of books and newspapers were licensed; railroads and mail service for Germans were permitted modest beginnings, industrial production a moderate rise. Second, the occupying forces reorganized themselves for the conditions of long-range occupation. With the dissolution of SHAEF on July 14 and the transfer of zonal authority to the individual Powers the regional machinery for the execution of joint Allied policy was established. However, the traditional, cautious approach to the occupation was carried over, even in the midst of the new orientation, and guaranteed that future action would take place within the framework of the structure already established in the months from March to July. This was demonstrated both by the new handbook for the American Zone, based on Directive 1067 of the Joint Chiefs of Staff and issued on July 7, and by the relaxation of non-fraternization which the Americans and British ordered on July 15. The hand-

prime end of occupation policy but still maintained, temporarily, the standard of nonpolitical administration and the prohibition of political activity, including trade-union organization without special license. The instruments for democratization were the familiar ones of individual denazification and a governmental decentralization still defined in terms of the wholesale transfer of undiminished authority from Reich, corporate, and party organizations to the regional administrations. The order on non-fraternization was equally illustrative of the continuity in policy: the change, limited to public places, was only partial, and it was inspired at least as much by concern for military discipline during a long-term occupation as by a new attitude toward the German people.

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Military Government in the East after the Combat Phase

In contrast to the gradual, continuous course of Western policy, Soviet measures underwent a sharp change following the combat phase. For the Russians the latter phase ended with the capture of Berlin on May 2, and they initiated their post-hostilities policy that very day. The Russians had previously been extremely uncommunicative concerning their activity as occupants, but now, as part of a political appeal for active support, the Berlin Radio was utilized to advertise the measures taken by the Soviet authorities on behalf of the German people. The initial emphasis was on the energetic measures being undertaken by the Soviet commandants to revive not only the physical and economic basis of life but culture and entertainment as well. Thus the food-rationing system, promulgated during May amid loud fanfare, set consumption levels higher than during the final Nazi period, although these could obviously not be maintained, despite the much-publicized shipments from the East. At the same time artists in all fields held public meetings with Berzarin, Soviet Commandant of Berlin, to plan resumption of activity, and the Berlin Philharmonic actually gave its first concert on May 20. Radio appeals were supplemented on May 15 by the publication of a Red Army daily newspaper for Berlin. The tone was set in the first issues by the distinction drawn between the Nazi régime and the German people in the authoritative rejection of the anti-German thesis of the journalist Ilya Ehrenburg by Alexandrov, head of the Propaganda Department of the Communist party in the U.S.S.R.

Complementing this overt policy of German revival under active Soviet encouragement, local self-administrations were set up during the latter half of May. According to the Soviet announcement, the Berlin Executive Council had been nominated by an assembly of representatives from all sections of public life in Berlin and simply approved by the Soviet authorities. Furthermore, the inclusion in it of such nationally known and undoubtedly non-Communist figures as Andreas Hermes, Centrist leader and cabinet minister during Weimar, and Ferdinand Sauerbruch, famous German surgeon, revealed the political nature of the Soviet appeal to the whole German nation. A

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nonparty man, Arthur Werner, was appointed Lord Mayor, while trusted Communists like Karl Maron, Deputy Mayor, were scattered among crucial, less exposed posts. This phase of Soviet policy was climaxed by the announcement on May 31 that such local administrations had been formed throughout the entire southern half of the Soviet Zone.

The Soviet authorities did not, in the construction of these administrations, exercise themselves unduly over the denazification of individuals. The Soviet attitude toward this problem was pragmatic. Berzarin admitted that Nazis were still employed in subordinate posts, and in public statements he stressed the necessity of purging those who *continued to act* like fascists. The procedure seems usually to have consisted in the appointment of political anti-Nazis — Communists, wherever possible—to key administrative posts, where the responsibility for denazification was placed. The comparative indifference of the Russians to this problem was rooted in the fact that the real emphasis of their policy lay elsewhere. Their concern was not so much with individuals as with institutions. Their aim was to break the strongholds of the previous ruling groups and to create organs for new ruling groups against which the individual Nazi could do little.

The framework for the execution of this policy was created during the months of June and July. For the Russians the administrative and institutional structures of society were political instruments. The previous German structure, in the Soviet conception, was political in a direction hostile to the occupant. Therefore, not only must it be smashed by a kind of institutional denazification, but it must be replaced by new, reliable forms. The Russians proposed to use as governmental instruments a centralized organization of frankly political parties. Consequently, on June 10, the day following the formal assumption of authority by the Soviet Military Administration in Germany, Marshal Zhukov issued Zonal Order Number Two permitting the establishment of anti-fascist parties, trade unions, and other associations which aim at the extermination of fascism and the establishment of democracy. This was immediately followed by the formation of the Communist party of Germany, the Social Democratic party of Germany, and the Christian

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Democratic Union, and by the publication by each of a party daily newspaper, starting with the first issue of the Communist paper on June 13; later, on July 12, the Liberal Democratic party, reportedly called into being by the Russians to divide the political forces of the Right, was authorized and eventually put out its own newspaper. During the same period the Free German Trade Union Association was authorized with a program calling for industrial unionism and a centralized organization which would exclude separate organization on political or class lines, that is, separate unions of employees, civil servants and manual workers. Miscellaneous groups such as the Culture Association for the Democratic Revival of Germany and the Anti-fascist Youth Committee were also formed as exclusive organizations in their fields.

The decisive point in all these organizations was their centralized character. They were organized from the top down by relatively small groups in which leadership and responsibility were vested. For the Communists the focal group was the tried-and-true contingent which had been active in the Free Germany Committee in Moscow during the war; for the Social Democrats a new set of leaders, representing the Left wing of the party, rose to deal with the Soviet occupant; the Christian Democrats, while led by the old Right-wing Centrist, Hermes, included a strong delegation of Catholic trade unionists in their executive; the Liberal Democrats, who were marginal in the scheme, were organized by a very few old Democratic politicians like Waldemar Koch and Schiffer; the trade-union organizing committee included active members of the three main parties, with the Communists maintaining the initiative. As a further measure of centralization and control the parties were united in an anti-fascist front, presaged by a Communist-Social Democratic agreement on June 26, forged by the three main parties locally on July 1 and zonally July 12. The Liberal Democrats joined July 16. The front was a coalition for the prosecution of an immediate action program, drawn up originally by the Communists, calling for denazification, physical reconstruction, and the creation of the social conditions for " democracy ".

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The coalition of centralized political parties, dominated by the Communists, served the Soviet occupant as the basis of the new administration. The utilization of the parties was not the recognition of a spontaneous mass political movement, because such a movement in terms of the old parties did not exist, and if a new type of Antifa existed in the Soviet Zone it was not used. Behind the façade of the frenzied activity and propaganda by the party organizations the apathy of the masses in the Soviet Zone was as profound as in the West. The parties were designed not as vehicles of popular forces but rather as instruments to awaken energies and to canalize them in the direction determined by the occupant. The political parties were to serve the Russians in the same capacity as the non-political administrations served the Western Powers — as machinery of control. The difference was that whereas the Western Allies wanted control in the interest of stability and continuity, the Russians wanted it in order to force political and social change.

It was only after the formation of the political parties that the Russians began the expansion of the administrative structure. Hence it was not surprising that leadership in the administration was organized on a political basis and that a widespread personal identity between party and administrative heads existed. On July 4 the first regional administrations in the Russian Zone were established, for the provinces of Brandenburg [illegible] Saxony. According to the reports from Soviet-controlled sources, the establishment was by the request of "democratic" bodies and organizations of the respective provinces which had assembled and selected the presidents and vice presidents of the governments for Soviet approval. Since these "democratic" bodies were constituted mainly of the previously authorized parties, the basis of the administration is clear. When the two remaining regions in the Russian Zone, the states of Thuringia and Saxony, were furnished with administrations on July 17, the heads were directly appointed by the Soviet authorities, presumably since large sections of these states had been evacuated by the Western Powers only on July 4 and the party organizations were not yet complete enough

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to allow the use of the instrument of "popular" selection. The leadership of the regional administrations was set up on party lines in accordance with the pattern laid down by the anti-fascist front. Each government had a president and two or three vice presidents, so that the main parties of the region each secured representation. As it turned out, none of the presidents were Communists (three were Social Democrats, one a Liberal Democrat, and one a nonparty man), which lent credence to the Soviet claim that the Russians did not intend to bring about the sovietization of Germany. The Communists were, however, well represented in the crucial posts along the top layer of the governments.

The use of the anti-fascist political principle to break the power of the old bureaucratic structure while utilizing the talents of individual old-line administrators was repeated all the way down the line. On every level of administration regular functionaries were supervised by councils, usually composed of representatives of the parties, which functioned as an integral part of the administrative structure with the task of nullifying it as the stronghold of a particular social group.

Thus it was through a political instrument that the Russians proceeded to use administration for the purpose of fundamental social change. Denazification, as a weapon applied as vigorously to the industrialist and business groups as to the administration proper, was utilized to some degree as an agency of social change. The encouragement given to factory councils and the attribution to them of a voice in management went in the same direction. The outright confiscation of the property of all Nazis (rigidly defined as members of the party and affiliated organizations, active propagators of National Socialism, and those who profited from the régime) was decreed by the Berlin Municipal Council early in July. The old banking system was scrapped: the Reichsbank was turned into a municipal monopoly, the Berlin City Bank was placed under the direct control of the city administration; all other banks had to stop operations and turn their balances over to the City Bank; all bank accounts were suspended indefinitely and funds were made available only through the granting of new credits. Similarly, the social insurance scheme enacted in July by the

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Berlin City Council discarded the previous administrative framework and created a Berlin Social Insurance Institute under whose jurisdiction were collected several of the older branches in this field. In agriculture too there were intimations of a new departure. This was not a matter of collectivization, which the Soviet authorities had disclaimed as a policy in Germany—a disclaimer borne out by the establishment of a free market for all agricultural surpluses above the fixed quotas. It was rather a policy of destroying the vested interests of the old Germany. Hence in July there were preparations for the abolition of the entailed farm legislation by which the Nazis had tried to build a closed peasant social group dependent upon them; the Reich Food Estate, a party formation which had taken over the administration of agricultural production and distribution, was dissolved and replaced by a system of producers' coöperatives; the state of Saxony announced the beginnings of the wholesale confiscation of large landed estates.

Characteristically, the activity was enacted and executed by the native administrations rather than by the Soviet military administration itself. It is clear, however, that such policies were encouraged by it and that the native governments had been set up and founded on a political base for these very purposes. Governmental activity in the Soviet Zone during the interim period clearly had fundamental social ramifications: it looked to the weakening of the industrialists, and to the smash-

political forces. Further, the confiscation of Nazi property and the virtual confiscation of all bank accounts, in conjunction with a situation in which the scarcity of all goods inevitably made for a social equality of consumption, went a long way toward the immediate sapping of the foundations of the middle classes. By the end of the interim period Eastern Germany, by dint of administrative regulation, was in process of a profound social transformation.

Germany at the End of the Inter-Regnum

At the time of the Potsdam Agreement German society was beginning to show some signs of life, but this life was weak and it moved along the channels prescribed for it by Allied

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controls and their native counterparts. In a formal sense a measure of unity existed in the nation: not only were indigenous forces uniformly weak but all the Allies had created agencies to carry out their will in the interests of their own security, and this security was uniformly defined as abhorrent to a rebirth of National Socialism and as requiring the new birth of a pacific democracy. On the ingredients of the democracy, however, and the methods of realizing it there was little agreement, and the political and social structures of the zones reflected the divergent interpretations of their respective occupants. While differences certainly were manifest among the Western Powers, still the main line of division in the structure of German society ran between West and East. In the West the traditional native control system, dominated by traditional ruling groups, maintained the existing class relationships and was prepared to use its mandate as the nonpolitical instrument of order to block or divert any movement for the fundamental transformation of society. In the East, the future development of the society was being determined by a new control system in the hands of the radical Left and dictating the conditions for political and social change.

The Allies entered upon the joint rule of Germany with their own ideological conflicts prominently embodied in the German systems which they had created. If occupation in our times represents for the occupant an arena in which the crusading power of internal political values meets the rational reckonings of foreign policy, then it may well be said that conscious policy for Germany was undermined even before its institution. In default of a strong mediating force from a German source, the two political systems clashed blindly on German soil during the period of fluidity and created a lasting debit for the future foreign policies of the Great Powers.

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LIQUIDITY OF ESTATES AND DEATH TAX LIABILITY

"ENOUGH cash to pay inheritance taxes?" Questions like this appear in the advertising of trust companies, estate planners, and life insurance agencies. The problem, or the specter, raised may haunt those thousands of prosperous Americans for whom the two certain tragedies of death and taxes are linked. This part of our population is small, but it occupies a strategic position in American society. For some of these families the taxes which death brings are very heavy.[1] The prospect they create is properly the subject of much apprehension, not only because the amounts may be large but also because the dollars needed for payment may have to be obtained by forced sale of assets under distressed conditions. Preparation for payment, the advertisements imply, should involve the accumulation before death of cash or assets easily converted into cash.

Today's level of federal estate tax rates is considerably higher than that of any earlier period. It is less than a decade old. Consequently, as far as experience is the guide to persons of wealth in planning to meet the impact of present death tax rates, it is experience which is limited both in amount and in relevance to a future which may differ greatly from the recent past.

The problems of planning for heavy death tax are numerous, relatively new in American society, often difficult, and by no means always obvious. For example, though the fact of death is certain, the date is not, and the uncertainty of the imminence of tax liability makes efficient planning for it difficult. Another problem, and it can be very troublesome, is the uncertainty about how much the tax on any specific estate will be. Rates of tax and the definition of the tax base may change enough to

[1] The term "death tax" is used generally to include both estate and inheritance taxes. The federal government imposes an estate tax but no inheritance tax. Many states, however, have inheritance taxes. For a summary description of the American death tax system see William J. Shultz and C. Lowell Harriss, *American Public Finance* (New York, 1949), chapter xx.

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affect the tax appreciably. The tax treatment of certain types of property, and of property disposed of in particular ways, is sometimes uncertain and is always subject to change. The value of the estate at death is often subject to enough uncertainty to affect the amount of the potential tax materially.[2] Economic and social conditions are bound to change. The future size of the family and the relative positions of its members are not easily predicted so that it may be very difficult to plan satisfactorily for the distribution among the heirs of what will remain after taxes. Another and related problem, which is the subject of this article,[3] is how to get dollars to pay the tax; for, with minor exceptions, the federal and state governments demand payment in dollars (cash)—and most assets are not cash.

Why Worry about Getting Cash?

Unless the estate contains enough in bank deposits and other cash items, such as claims for life insurance, to pay the tax, some assets must be sold. They may have to be sold under conditions that will require sacrifice of apparent value. The property owner is no longer free to pit his judgment against that of others in the market because of the compulsion to get cash to pay tax. Unlike liquidation for some other reasons, the dollars obtained will not be available to reinvest on equal, or possibly better, terms. The cash goes to the government.

It requires very little searching through the memories of the last twenty years to recall conditions in which real estate, or closely held businesses, or common and preferred stock, or art objects would bring, in the best market available, much less than the owner might reasonably expect to be the long-run value. If the pressure to sell is urgent, arising perhaps from insistent demand for dollars to pay taxes, there may be great danger of having to sell at a considerable sacrifice of long-run value. The

[2] This point is now somewhat less important than might be expected because of the option given the executor in valuing the estate. This option is described below. Yet there is no doubt that certain patterns of investment permit much more accurate prediction of tax liability than others.

[3] This article is part of a study of death and gift taxation which the author is making under a grant from the Columbia University Council for Research in the Social Sciences. Mr. Richard Selden assisted in the statistical computations.

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markets for some of these assets are poor; there may be very few potential buyers.[4] This condition may exist commonly where a business is large relative to the community in which it is located. The economy has so far failed to develop extensive institutions for gathering funds for equity investment on a wide geographical basis and placing them in small local firms. Relatively small businesses with good earnings and prospects may have great difficulty getting equity funds even when billions of dollars of savings lie idle in banks or invested in low-yield securities.[5]

Even when there is a functioning market, the person wishing to sell may find a "lumpiness", in that potential buyers will want the whole interest or at least enough to get control; the seller may be able to obtain nothing like a satisfactory price except by sale of more than is needed to pay tax—loss of control becomes part of the effective tax burden. Moreover, it may sometimes be difficult to get from the buyer a price that reflects fully the value of control to the seller, especially when non-pecuniary values attach to control. The attitude of the buyer in insisting upon getting control may be very reasonable because he may otherwise have inadequate protection of his investment. This consideration is unusually pertinent because the removal of the decedent from the direction of the business he built up may have added an element of uncertainty and threatened to weaken management. On the other hand persons with adequate funds [illegible] they are unable or do not want to assume control or managerial responsibilities; they will not risk their funds where management is uncertain or where active control seems essential for protection of their position. Another source of difficulty is that heirs may not be able or may not want to retain control; in order to get rid of responsibilities of ownership and management they may have to sell at a sacrifice of economic values.

[4] Most of the discussion here is in terms of sale of the property. Yet in some cases borrowing or possibly other forms of financing might solve the problem. It is only to avoid complicating the discussion in the text that explicit reference is not made to this possibility more frequently.

[5] Borrowing, especially when property can be mortgaged, is often easier.

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An astute planner is aware of another hazard his heirs may face. Potential buyers, knowing that the estate is in pressing need for cash, may offer less good terms than if they felt the seller could hold out. Persons under compulsion to sell are at a disadvantage. Death is an event which can hardly be concealed. If it gives rise to compelling pressure to sell, buyers are likely to be aware of that fact. The heirs will probably suffer.

Another reason for worry about getting cash to pay death taxes may be the fear that heirs and executors may not be able and willing to negotiate to get the best possible terms. The widow or the children or the family lawyer or the bank may have had little or no skill in liquidating a business. The fears may be well or poorly founded, but they undoubtedly add to the general uncertainties about the liquidation after an owner's death.

A consideration which is relevant and possibly important, though perhaps not recognized explicitly, must not be ignored. The group of potential buyers of closely held businesses may be limited by the fear of anti-trust prosecution. Established firms with the experience that might give them the best prospects of successful operation may be unwilling to risk the danger of anti-trust action if they were to purchase a competing firm. The danger of such prosecution will tend to be greatest if the purchaser is a large element of the industry; yet the large firms may have easiest access to capital markets and hence be able to offer the best terms.

The chances of serious loss through forced sale after his death cannot be determined by the owner before his death. The hazard has grown as tax rates have risen. Present tax levels require cash payments to governments of considerable fractions of two or three thousand estates a year and very large fractions of several dozen. Many times this number of property owners, not knowing when death may force their estates to produce large amounts of cash, constantly face uncertainty and the awareness that forced sale may wipe out the fruits of many years of hard work and saving.

Possible difficulties in raising cash for payment of death taxes are recognized widely. They may not be appreciated fully,

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however, especially in the years immediately after an increase in tax rates which raises the prospective cash requirements. In other cases the probable difficulties may be seriously overestimated. This condition may exist today, for example, because many persons do not realize fully how much federal death tax liability for many estates was reduced by the Revenue Act of 1948. Generalizations may be based on cases which are probably exceptional, such as a few extreme losses resulting from forced sales in the disrupted and depressed markets of the 1930's. It is also possible that life insurance agents, trust company officials, and other estate planners exaggerate the need for highly liquid assets. Whatever the reason, some persons of wealth may sacrifice more than is reasonably justified to forestall the need for the sale of relatively nonliquid assets after their death.[6]

The problems faced by property owners obviously vary greatly, even when the size of the estate and the prospective tax are the same. Some estates are received or built up in forms that permit investment in assets which can be easily liquidated. In other cases, however, the fortune may grow in a form which restricts investment opportunities. The outstanding case is probably the closely held business which has grown without the development of a market for its securities. Large holdings of real estate may give rise to serious difficulties, though this result is by no means inevitable. Art objects and jewelry can give rise to problems of still another nature. Refinancing or sale after

in advance of easy adjustment.

Payment troubles may arise not from the nature of the property but from the way or form in which it is owned or distributed. Property given in contemplation of death may be consumed before estate tax is imposed; no part of the gift may remain for payment of tax, and the gift tax credit, if any, may be far less than the estate tax due. Interests in trusts or settled property have presented troublesome problems because assets

[6] The sacrifice may take the form of a reduction in current income; it may consist of giving up chances for appreciation in capital values; it may involve disposing of valuable elements of control, for example, a closely held business. The author hopes to discuss in a later article some of the special problems arising from liquidation of ownership in a closely held business.

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included in the estate for the purpose of computing tax liability are not available for payment of tax. In some cases, however, the present law makes the tax attributable to such an interest a charge on the property rather than on other assets of the decedent. Consequently, payment difficulties arising out of the trustification or settlement of property are somewhat less serious than a few years ago, but they have by no means been eliminated.[7]

Payment and Valuation

What are the payment provisions of the federal estate tax? Payment of federal estate tax must be made in cash or equivalent, that is, a check payable at par, certain elements of the debt of the United States, receipts for payment of state death tax (within certain limits), or proof of payment of federal gift tax (also within limits). In fact, the overwhelming fraction must be paid in cash (check). The federal estate tax must generally be paid not later than fifteen months after death. Extensions may be applied for and may be granted by the Commissioner of Internal Revenue for a total period of not more than ten years; this provision is probably not widely understood. It is apparently used only a few score times a year.[8] State payment requirements vary, but since state taxes are generally much lower than the federal, except on smaller estates, the payment problems of the federal tax can properly be considered dominating for most estates subject to more than nominal tax.

Assets are appraised at their "fair market value". There is no need to summarize the provisions defining this term, except to note one point: the types of assets that are low in the scale of liquidity very often have no clearly indicated "fair market value". In such cases valuation is a matter of judgment

[7] In recent years currency restrictions or other limitations have sometimes prevented conversion of assets subject to United States death tax into dollars for payment of tax; new and very intractable payment difficulties have emerged. These problems are essentially quite different from the others dealt with in this article; the observations and conclusions based on the data presented below do not apply to problems arising from the foreign location of assets subject to United States tax.

[8] The tax on certain future interests may be postponed. This provision is seldom used.

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(and bargaining) within a range that is large enough to affect the tax appreciably.

Valuation and payment are now related. Since 1935, executors have been allowed an option for valuation. Assets may be valued (a) as of the date of death or (b) as of a date one year later, or, if this option is chosen and assets are sold or distributed before the end of the year, the sale price or the value at the time of distribution will be applied. Choice of the option need not be made until after the year has passed. The executor has a "sure thing" so far as tax valuation is concerned though he must bear the other risks of fluctuating markets. The allowance of this option has removed one problem of the early 1930's—during a period of falling market prices the value on which tax is assessed no longer need be greater than the value actually obtainable in the market.[9]

Worries remain, however. There is always the question of whether market prices obtainable after death will be attractive. Investment in assets of certain types is well recognized as involving the risk that market values will fluctuate. As far as death taxes are concerned, there are special factors of risk. The lower asset prices, the lower tax liability.[10] But to the extent that assets must be sold at depressed prices to pay tax, there will be sacrifice on that score because fewer dollars will be obtained from the sale of any specific amount of property. The heirs suffer from the fall in market values, even though some of the loss is offset by a reduction in tax liability. If market prices rise, the estate gets more for what it sells, but it pays higher tax. In effect the government becomes a partner in the fruits of market fluctuations. The existence of the estate tax with its present valuation provisions, therefore, operates to reduce the risks attached to the ownership of assets subject to fluctuations

[9] Exceptions will arise if there is literally no purchaser at any price, a condition that is rare indeed although it has been alleged, for example, in the case of huge and outmoded mansions. A more common type of exception may occur where legal restraints make sale impossible within a year of death even though buyers can be found. If the decedent creates the restraints by his will or otherwise, the fault is his; Congress should not be blamed.

[10] In fact, a person can confer a nice monetary benefit upon his heirs by dying when security and real estate prices are low.

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in value. Yet there is an important exception, which was discussed in the last section. It arises because the estate tax may compel liquidation.

This compulsion, the necessity of getting cash to pay death taxes, unquestionably creates problems which many property owners are well advised to begin trying to solve before death. The nature and the seriousness of the problems vary widely. Although attention has been focused here on the payment problems as seen by the individual and his family, the problems create some issues of general economic importance. The author plans to discuss them in a later article. However, as a necessary foundation for discussion of the broad problems, and because the more limited problems are of some general interest, it has seemed desirable first to assemble, examine and present in this article certain of the available facts on the liquidity status of estates subject to federal tax.

Three problems are examined. One is the relation between the total of liquid assets for estates of different sizes and the actual tax liability. A second is the comparison of the total of liquid assets with the tax liability that would presumably be due under present rates and definitions of the taxable estate. A third is the relative importance of each of the different types of what are vaguely called liquid assets.

Definition of Liquidity

How is "liquidity" defined for use in this study? As we shall see later, the data are not such that a rigorous or unambiguous definition can be employed. The term will be used, therefore, in the general sense of ability to convert an asset to dollars (cash) quickly without danger of loss of value.[11] More precise definitions may put less emphasis on the terms of the exchange than the usage proposed here.[12] Yet a definition in terms only of convertibility into dollars without regard to the amount of dollars obtainable is not meaningful for the analysis of estate tax problems. These problems are closely related in

[11] Nor is there chance of increase in value.

[12] See Courtney C. Brown, *Liquidity and Instability* (New York, 1940), chapter i.

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estate planning and in personal financial management with the terms of sale, the ability to obtain some estimated value. Consequently, it seems more realistic, though less rigorous, to include in the concept of liquidity some reference to the terms of conversion of other assets to cash. In a general sense, then, an asset is more or less liquid according to the ease with which it can be exchanged for dollars to pay tax by the time the tax is due without danger of loss of the number of dollars that would be obtainable if a longer period were available for sale. Subtle and difficult problems are involved in defining and classifying assets according to liquidity; some of them will arise for brief consideration below, but any additional discussion here of problems of definition seems unprofitable.

Data and Methods

The computations of liquidity are based on data from *Statistics of Income* for estates filed in the three years 1942-44.[13] These years are the most recent for which data are available, though they cover only a small part of the period affected by World War II and its levels of property values and tax rates. Most of the deaths covered occurred in the years 1941-43, though some were in 1944 and some in 1940.[14] Use of data for a three-year period probably assures enough cases to prevent any serious distortions resulting from freakish random cases, except possibly in the group of estates over $10 million, where [illegible] would have involved reaching back to a period even less like the present. The applicability of the findings to current conditions would consequently have been smaller. The loss of relevance would doubtless have been greater than any increase in reliability resulting from the inclusion of a larger number of cases.

The figures in this article apply to groups of estates. They conceal peculiarities of individual cases. And it is in individual cases that liquidity problems appear. Obviously, therefore, the

[13] See *infra*, p. 548, note 1 of Table 1. Data for 1944 were taken from photostats of material which is in the process of being printed.

[14] Tables consisting primarily of data on estates of persons dying in the post-war period will probably not be available until 1950.

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finding that, for any group of estates as a whole, liquid assets were more than adequate to meet taxes and other liabilities does not prove that no estates in that group had payment difficulties. The usefulness of the data is thus limited, in a strategic way. Nevertheless, it is helpful to learn, if such is the case, that whatever difficulties seem to be indicated are individual rather than general. Moreover, the greater the margins or the clearer the picture for a group of estates as a whole, the smaller the prospect of many individual estates having serious difficulties or of a majority having moderate difficulties. It may also be pertinent to note that some of the broader economic aspects of the problem can be studied most effectively by the use of aggregate data. Yet at best the aggregates with which we deal conceal many individual cases which are very different from the averages.

The period covered was one of large and rapid change in the economic world generally, and perhaps even more in the tax world. In the estate tax, specifically, there were important changes. Estate and gift tax rates were raised by one tenth in August 1940. They were raised again in September 1941; the increases at this time were generally large, except in the upper ranges. In 1942, unsuccessful attempts were made by the Treasury to get Congress to raise the rates even more. During these years administrative rulings, court decisions, and statutory changes made important differences in the definition of the tax base.

Persons who died during this period may have taken some of these changes and proposed changes into account in planning their affairs. Generally, however, it is probable that the adjustment to the new conditions was far from complete because there had not been enough time to become fully familiar with the changes and to take appropriate action. In other words, the estates as they existed at the time of death must often have failed to reflect fully the decedent's estimate of optimum adjustment to the provisions of the tax and to the conditions of the general economy at the time of death. In some cases, for example, the decedent may have planned for higher taxes than were imposed; more often, perhaps, the tax rates were higher than those for the payment of which the decedent had planned

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his estate. The data used in this article, therefore, must reflect some element of uncompleted adjustment.[15]

The major problem has already been introduced—finding what assets are liquid. The *Statistics of Income* tabulations do not classify assets in enough detail to permit segregation of liquid and illiquid assets on the basis of any precise definition. Some items can be handled easily, but others present problems which must be dealt with somewhat arbitrarily.[16] The methods used can be described briefly.[17]

1. To the reported *gross estate* was added *tax exempt life insurance.* Until 1942 the statute allowed a special exclusion of $40,000 for life insurance. The proceeds of this exempted insurance would be available to the heirs. With this adjustment we get the best figure possible of the economic gross estate,[18] a figure, however, which may be far from the economist's or the property lawyer's definition of wealth or property.

2. The next step was to select items to be deducted from the gross estate to get the " net economic estate ". The author de-

[15] Each increase in the estate tax rates was accompanied by an increase in gift tax rates. The latter increases always went into effect at the beginning of the next calendar year. In the interval between enactment of the higher rates and their effective date taxpayers had a chance to make gifts at " bargain " rates. As advantage was taken of such opportunities, reported estates in the following years would be somewhat smaller than otherwise.

[16] One basic characteristic of the data should be noted. When property is owned by a trust or trustee, the existence of the trust is ignored in compiling the statistics. The underlying assets—cash, bonds, stock, or real estate—are reported as such. The same treatment is followed if an unincorporated business is involved. But if the property is owned legally by a corporation, the statistics do not look beyond the fact of corporate ownership; the tabulations will show the property as corporation stock (or debt). Thus a big difference in the statistics would result from a change in the policy of owners of real estate as regards the incorporation of their property.

[17] Because of limitations on space and because few readers are likely to be interested in details of method the remainder of this section represents a drastic condensation of the original version.

[18] Additional life insurance may have been payable on the death of the decedent and available for payment of taxes on his estate without having been included in the estate and reported for tax purposes; this result could have been attained if the decedent had not retained incidents of ownership in the policies or had not paid all the premiums. The amount of such insurance is not known and cannot be included; consequently, the amount of cash available for payment of tax is understated, though probably not greatly.

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ducted only three categories of claims on the estate. This treatment in effect assumes that the demands of these claims on liquid assets are prior to those of the government. The three items are *funeral and administrative expenses, debts and mortgages* (though some of these items were certainly not due at or closely after death), and *support of dependents* (though often the dependents were not in fact dependent upon the estate).[19]

3. The *tentative total tax liability* is the reported liability for federal estate tax, after the deduction of any credit for gift tax (such credits were small), plus state death tax credited against the federal tax. Not all of the state tax, however, necessarily offsets federal tax, especially in the great mass of estates under about $200,000. No data are available for estimating closely the state death tax liability that is not credited against the federal tax.[20] For estates in the first two brackets as used in this study, there is more often than not understatement of combined federal and state death tax liability. In some cases the underestimate may be substantial. In the larger estates the state tax tends to be offset fully by the credit against the federal tax.

4. The tax liability as shown in *Statistics of Income* has been increased by 15 per cent to take account of the effects of the audit of tax returns.[21] The result is termed *total tax.*

5. In grouping assets according to their estimated liquidity, *cash* and *federal government bonds* should obviously be included as completely liquid. *State and municipal bonds* were also logically treated as fully liquid. *Life insurance* was also in-

[19] Property covered by the specific exemption, charitable bequests, and property previously taxed were not deducted though they were deducted in computing the amount subject to tax.

[20] State inheritance and estate tax collections during the period covered by this study were somewhat more than twice the amounts credited against federal death tax liability.

[21] See the author's article "Wealth Estimates as Affected by Audit of Estate Tax Returns" to be published soon in the *National Tax Journal;* the 15 per cent figure seems reasonably accurate except for small estates. A lower rate on estates of less than $100,000 might have been more defensible. However, since total tax on these estates is generally understated because of the omission of state tax liability, the use of the higher rate certainly does not result in overstatement of total tax.

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cluded in full though in some cases proceeds were excluded from the gross estate and may not have been available directly or indirectly for payment of tax.

Other bonds presented a less clear case. Most of these bonds were probably traded in reasonably good markets so that the estate could sell them on terms appropriate to the general market. In other cases, however, bonds of foreign debtors or of railroads or real estate corporations or other debtors may have had poor markets; the prices obtainable may have been unreasonably low, forcing sacrifice of dollars that could have been obtained if a longer period were available to work out a sale. As a rough and arbitrary compromise, the author assumed that two thirds of the values of all nongovernment bonds were highly liquid.[22]

The sum of these four types of property is termed *fully liquid assets*. If an estate had enough such assets to discharge debts and pay all death taxes, the liquidity problem had presumably been solved before death. The executor had the simplest problem of converting assets to cash. As far as taxes and debts were concerned, the necessary cash funds should have been obtainable without difficulty.

6. One other group of assets frequently ranks high on a liquidity scale—*shares of stock*. These evidences of equity ownership in corporations are by far the largest single constituent of taxable estates. Consequently, the decision made

liquidity is highly important. Not all stock is highly liquid: some may have little or no market—stock of a closely held corporation—or a poor market for as many shares as in the estate—the " blockage " problem.[23] Moreover, the prices of many stocks fluctuate widely; even though a stock may have an active market, sale within fifteen months after death may be possible only

[22] The dollar amounts of " other bonds " were not large enough for the results to be affected greatly by the exclusion of one third instead of one fifth or one half of the total of such bonds.

[23] Sometimes corporations are no more than organizations for holding title to other property, such as real estate. The provisions of the Internal Revenue Code imposing a penalty surtax on personal holding corporations in effect exempt corporations half or more of whose income is in the form of rent. Sec. 502 (f) (g).

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at prices which, from the long-run point of view, seem extremely low. Under the definition of liquidity used here, the fact that stock prices sometimes seem unreasonably low reduces the average liquidity of stock even when it has an active market. In the absence of any factual or logical basis for dividing the total of stock into what might reasonably be considered highly liquid (such as much preferred stock),[24] what very low in a liquidity scale (such as stock of closely held corporations), and what between the extremes, the division had to be made arbitrarily. It was set at one half. This fraction of the total value of common and preferred stock was assumed to be liquid. It was added to the total of fully liquid assets, completing a category designated *total liquid assets*. Obviously, any substantial error may affect the final figures enough to change the general interpretation. The direction of error is probably toward an understatement of the total liquidity of estates.

7. No other assets were classified as liquid. The results, therefore, understate the total of reasonably liquid assets. Some real estate, mortgages and notes, interests in unincorporated businesses, accounts receivable, jewelry, annuities, and other miscellaneous assets can be liquidated easily. Moreover, even when sale is difficult, the assets may be pledged so that funds can be borrowed.[25]

Another type of understatement should be noted. Property may have been distributed by gift before death and not includible in the gross estate at death. The assets, cash for example, may be available for payment of tax even though not themselves subject to tax. A decedent may have given his heirs enough cash to pay estate tax, cash which is never included in

[24] In 1942, the only year for which the data are distinguished, preferred stock made up 16 per cent of the total of corporation stock.

[25] Here, however, one runs into the problem of what executors are permitted and encouraged to do under state law, the terms of wills, and the general customs of the community. On the whole, executors are probably reluctant to borrow in the hope that the assets pledged as collateral will rise in value. If the market conditions seem adverse, the economist might argue, borrowing might be a better way to get cash than selling. Yet such an alternative may not in fact be available to the executor. Of course, the laws and traditions governing executors are not immutable. One might reasonably argue that changes should be made in these areas before the federal estate tax need be altered.

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the estate for tax purposes, and yet pass on an estate subject to a heavy tax containing no liquid assets. To the extent that some such condition prevails, the data taken from *Statistics of Income* understate the availability of liquid assets to pay tax.

8. On the other hand, no allowance has been made for assets which, though taxable, are not available for tax payment. The federal statute specifically provides [Sec. 826 (c) (d)] that (a) life insurance and (b) property subject to a power of appointment which are includible in the taxable estate shall be available for payment of their share of the tax even though they would not be accessible to the estate under property law.

Other property, however, which is not legally available to the estate may be taxable—property given away before death or property in trust or subject to some other type of restrictive ownership. The federal statute makes no provision for reaching such assets for payment of tax. The property might be cash, government bonds, or stock; it would be included under these categories in *Statistics of Income* and in the tables in this article, yet in no realistic sense be available for payment of tax. The recipient, for example, might be unwilling to turn over the property to help pay the tax that would otherwise come out of the share of someone else; a trustee might be prohibited from consenting to the release of funds in such cases. Or the property might have been used up before the decedent's death; for example, a donee might use cash for living expenses only to find

contemplation of death. There is no basis for estimating the volume of assets taxable but not available for payment of tax.[26] Probably for estates as a whole the total is not as large as the total understatement of liquidity resulting from factors discussed in paragraphs 6 and 7. In some estates, however, the amounts may be critically important.

Findings

The data on liquid assets as related to tax liability are summarized in Tables 1 and 2.

[26] Provisions of wills and trusts, family understandings, and business contracts will govern innumerable specific cases yet never appear in the statistics.

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TABLE 1

ESTATES SUBJECT TO FEDERAL ESTATE TAX, 1942-44; NUMBER, GROSS ESTATE, TAX, AND LIQUID ASSETS, AMOUNTS AND PERCENTAGES [1]

Size of Net Estate [2]	Number	Amount of Gross Estate Plus Tax-Exempt Life Insurance	Total Tax [3]	Fully Liquid Assets [4]		Total Liquid Assets [5]	
				Amount	Per Cent of Total Tax	Amount	Per Cent of Total Tax
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
(Thousands)		(Millions)	(Millions)	(Millions)		(Millions)	
Under $100	23,254	$1,971	$ 44	$ 645	1,466 [6]	$ 904	2,055 [6]
100- 200	8,914	1,544	156	513	329	772	495
200- 300	2,546	747	129	243	188	390	302
300- 500	1,815	857	170	282	166	463	272
500- 1,000	1,148	946	232	334	144	548	236
1,000- 2,000	438	720	215	258	120	427	199
2,000- 3,000	96	325	98	123	126	208	212
3,000- 5,000	47	208	85	76	89	127	149
5,000-10,000	32	325	140	125	89	211	151
10,000 and over	9	230	115	43	37	127	110
Total	38,299	$7,875	$1,383	$2,639	191	$4,173	302

[1] Source: U. S. Treasury Department, Bureau of Internal Revenue, *Statistics of Income* (Washington, 1944-45); photostats of data for 1944. Data are from returns filed in these years. Returns of nonresident aliens are not included.

[2] Before deduction of specific exemption.

[3] Total federal tax (plus estimated addition due to audit of returns) before deduction of credit for state death taxes. Does not include state death taxes not deductible from federal tax; for many small estates the state tax not accounted for here is much larger than the federal tax.

[4] Includes cash, U. S. government bonds (and other debts), state and municipal bonds, one half of all "other bonds", and life insurance.

[5] Includes "fully liquid assets", see note 4, plus one half of corporation stock.

[6] Relates to federal tax only. Figure would be much smaller if state taxes were included.

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Fully liquid assets

Fully liquid assets were almost twice as large as the total tax liability (191 per cent). For all size classes under $3 million, fully liquid assets were at least one-fifth greater than the total tax; and for the two classes from $3 million to $10 million, fully liquid assets were 89 per cent of the tax. There was a very sharp drop in the next, open-end, class, estates over $10 million, where fully liquid assets were only 37 per cent of the tax.

If all debts, expenses of administration, and outlays for the support of dependents are deducted from the total of fully liquid assets, the picture changes notably. For all estates the fully liquid assets in excess of debts are only one-fourth greater than the tax (126 per cent); for all estate classes of more than $1 million the fully liquid assets were less than the tax; at the highest level they were only one-fifth as much as the tax. Yet the estates in the classes with fully liquid assets in excess of tax and debts made up more than 98 per cent of all taxable estates. For the great mass of taxable estates, therefore, it seems clear that very little difficulty should have been encountered in getting cash to pay the estate tax and all debts.

The complete picture is less clear, however. The small number of estates whose fully liquid assets were less than taxes and debts contained almost one fourth of total gross assets of all taxable estates, and they were responsible for almost half, 47 per cent, of the total tax. On the basis of rather extreme standards, therefore, estates paying nearly half of the total tax were required to liquidate assets with less than the very highest liquidity. Conceivably, some estates may have faced serious difficulties.

Total liquid assets

It seems unreasonable, however, to set a standard of liquidity which involves freedom from the necessity of selling any stock, which is the most important asset of most estates and which is often easily sold on reasonable terms. Assuming that one half of the stock of corporations was liquid within the standards discussed earlier in this article, we find that liquid assets exceeded the tax substantially in all classes, even the highest, where the

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excess was one tenth. For all estates, total liquid assets were three times the tax. For the groups containing 99 per cent of all estates, the liquid assets were more than twice as large as the tax.

Even if all debts are taken into account, total liquid assets were more than twice the tax for all estates as a group. Except for estates over $10 million the excess averaged substantially more than tax and debts. For the nine largest estates, however, liquid assets were 7 per cent less than taxes and debts.

Although the percentages have been computed for estates under $100,000, the reader should be warned, as noted in the tables, that the figures are probably far too high. State death taxes are often, though not always, much heavier than federal taxes on estates of this size. On these estates no allowance at all is made in the tables for state death taxes. Consequently, the total death tax was larger than shown, and the percentage of liquid assets to total death tax was lower, perhaps only one-

TABLE 2

ESTATES SUBJECT TO FEDERAL ESTATE TAX, 1942-44; DEBTS, LIQUID ASSETS MINUS DEBTS, AND TAX, AMOUNTS AND PERCENTAGES [1]

Size of Net Estate [2]	Total Debts [7]	Total Fully Liquid [4] Assets Minus Debts		Total Liquid Assets [5] Minus Debts	
		Amount	Per Cent of Total Tax [3]	Amount	Per Cent of Total Tax [3]
(1)	(2)	(3)	(4)	(5)	(6)
(Thousands)	(Millions)	(Millions)		(Millions)	
Under $100	$261	$ 384	873 [6]	$ 643	1,461 [6]
100- 200	192	321	306	580	372
200- 300	84	159	123	306	237
300- 500	94	188	111	369	217
500- 1,000	95	239	103	453	195
1,000- 2,000	73	185	86	354	165
2,000- 3,000	30	93	95	178	182
3,000- 5,000	19	57	67	108	127
5,000-10,000	25	100	71	186	133
10,000 and over ..	20	23	20	107	93
Total	$895	$1,744	126	$3,278	237

Notes 1-6 same as Table 1.

[7] Includes funeral and administration expenses, debts and mortgages, and support of dependents.

Because of rounding, detail will not necessarily add to totals.

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third or one-half as much. Some distortion of the figure for all estates also results, but it is so very much smaller that it can be ignored without danger of serious error.

Liquidity and tax liability under wartime tax rates

The tax figures used are those for the liability imposed under the tax rates effective on the estates (with an allowance for increases due to audit). How much would the results differ if the higher rates of World War II on all estates had been imposed? To help answer this question the tax that would have been due under the higher rates was estimated. Because of the grouping of estates it was not possible to make refined calculations, but any error is probably small.

The method followed was to compute the tax on the average size of the estate in each class, with minor adjustments of marginal rates in a few classes where the distribution of estates covered a wide range of different rates; the tax so computed was multiplied by the number of estates. The full federal tax was used without special allowance for state death tax credit, which, it was assumed, would be taken up by the states. In computing the size of the average estate it was assumed that all life insurance would be included in the gross estate, following the 1942 statute, and that audit would increase the net estate on the average 10 per cent; this latter figure was taken from the special study made by the author to which reference was made earlier. An exemption of $60,000 was assumed.

The effect of this adjustment to World War II rates is to increase the total tax by 12 per cent as shown in Table 3.[27] Liquid assets were obviously a smaller percentage of the higher tax. Yet for all estates combined and for all groups, with minor exceptions, fully liquid assets exceeded tax substantially.

[27] In view of the increase in rates during World War II why was the increase not greater? The answer is to be found primarily in two facts: (a) the higher level of rates was in fact effective during part of the period covered by the original data so that no additional effect would be expected, and (b) the specific exemption was raised from $40,000 to $60,000, lowering the tax base by about $200 million more than the life insurance the exemption of which was removed. Tax collections have, in fact, run about 50 per cent higher than the total computed; the explanation of the difference is to be found partly in an increase in the number of taxable estates and partly in higher levels of property values.

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TABLE 3

ESTATES SUBJECT TO FEDERAL ESTATE TAX, 1942-44; TAX AT WORLD WAR II RATES, ESTIMATED TAX UNDER PRESENT LAW, LIQUID ASSETS, LIQUID ASSETS MINUS DEBTS, AMOUNTS AND PERCENTAGES [1]

Size of Net Estate [2]	Tax at World War [7] II Rates	Percentage of Tax at World War Rates [8]				Estimated Tax, Present Law [9]	Percentage of Estimated Tax, Present Law [9]			
		Fully Liquid Assets [4]	Col. 3 Minus Debts [7]	Total Liquid Assets [5]	Col. 5 Minus Debts		Fully Liquid Assets [4]	Col. 8 Minus Debts	Total Liquid Assets [5]	Col. 10 Minus Debts
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
(Thousands)	(Millions)					(Millions)				
Under $100	$ 47	1,372 [5]	817 [6]	1,923 [6]	1,368 [6]	... [10]	... [10]	... [10]	... [10]	... [10]
100- 200	205	250	157	377	283	$ 98	523	328	788	592
200- 300	112	217	142	348	273	97	251	164	402	315
300- 500	200	141	94	232	185	134	210	140	346	275
500- 1,000	293	114	82	187	155	181	185	132	303	250
1,000- 2,000	230	112	80	186	154	159	162	116	269	223
2,000- 3,000	103	119	90	202	173	66	186	141	315	270
3,000- 5,000	91	84	63	140	119	62	123	92	205	174
5,000-10,000	147	85	68	144	127	101	124	99	209	184
10,000 and over ...	118	36	19	108	91	84	51	27	151	127
Total	$1,546	171	113	270	212	$982	269	178	425	334

Notes 1-7 same as Tables 1 and 2.

[8] Tax computed under rate schedule in effect since October 21, 1942. These rates are still (1949) in effect, but the base of the tax was substantially reduced for many taxpayers in 1948.

[9] Assumes "marital deduction" of one fourth the net estate except for estates under $100,000, which are assumed to take up to $40,000 wherever possible.

[10] Not computed. The average tax would be very low and could not be related meaningfully to aggregate liquid assets. Because of rounding, detail will not necessarily add to totals.

Total liquid assets (including half of corporation stock) exceeded tax and debts for all groups except the highest. The excesses were at least half of the tax, except for three groups containing a total of less than 100 estates, and for all but nine of these cases the excess was one fifth or more of the tax. Fully liquid assets (excluding corporation stock) fell short of tax and debts for all groups above $300,000; except for the three highest groups the deficiency was one fifth of the tax or less; for the nine largest estates the deficiency was so great that debts and taxes could have been met only by liquidation of a large amount of corporation stock (or in some other way).

Liquidity and tax liability under present law

The Revenue Act of 1948 made a fundamental change in the estate tax. It created the "marital deduction" under which half of an estate is free from tax if it passes to a surviving spouse.[28] The result, of course, is a reduction in tax liability when the marital deduction is used. This reduction can be very large.

Computations were made reflecting this provision. It was assumed that on the average one quarter (rather than one half) of the estate would qualify for marital deduction. There is no basis for checking the accuracy of this assumption, but it is probably not far from the true figure.[29] The effect on total tax liability was actually due on these estates and a reduction of more than 35 per cent of the liability that would have been due under the tax as effective in 1947. The percentages of liquid assets to tax are much higher, of course, so that the possibilities of payment difficulties decline. Yet serious problems can arise in particular cases, most obviously where there is no surviving spouse.

[28] Certain technical conditions must be met. They are designed to prevent the skipping of tax at the death of the surviving spouse by the use of life settlements.

[29] No tax was computed for estates under $100,000, though some of these estates would certainly be taxable. The omission is explained by the belief that any attempt to relate liquid assets for all estates to the total liability of the estates taxable would be more misleading than illuminating, especially since the failure to allow for state taxes distorts the figures for this class seriously and in the same direction.

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Conclusions about Adequacy of Liquid Assets

What general conclusions follow from these data? The outstanding point is that, on the average, decedents have gotten their estates sufficiently liquid so that the death tax could be paid out of available cash or other assets which could be converted into cash without danger of loss or embarrassment through forced sale. The one clear exception is that of the few largest estates. The general conclusion holds if either of the measures of liquidity developed here is used, but if, as seems reasonable, the concept involving half of the stock as liquid is used, the margin of liquidity is very high.[30] Obviously, within the averages there can be, and doubtless are, numerous individual estates with much lower percentages of liquid assets. For them the problem of tax payment can be very difficult. But the problem is individual, not general. In fact, as a result of the introduction of the marital deduction in 1948, the tax, and hence the problem of liquidity, has been reduced greatly for those estates in which one spouse survives.

Composition of Estates—Relative Importance of Different Types of Assets

Up to this point liquid assets have been related to the amount of tax. It may also be of interest to examine the volume of liquid assets as a percentage of the total estate. Fully liquid assets (excluding all stock) averaged 37.8 per cent of the total estate available for payment of taxes (roughly, the net economic estate without deduction of charitable bequests). The percentage was almost constant except for the nine estates over $10 million, for which it was slightly more than half as large. The range between the highest and the lowest (excluding the class

[30] The major uncertainty is the accuracy of assumption about corporation stock. For estates as a group the assumption that half of corporation stock is liquid is probably conservative in the sense that the fraction one half is low. However, for those individual estates where the stock is in a closely held business, is a block which is very large relative to the amount traded normally, or is in effect a different term for an underlying asset like real estate, none of the stock may be liquid in the sense used here. In such cases, liquidity may in fact be very low. The author discusses in more detail the problem of the family-owned business and estate tax liability in an article to appear in the *California Law Review* in the near future.

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over $10 million) was five percentage points, approximately one tenth. Within classes, of course, there was certainly great variation.

How were the different types of liquid assets distributed among estates of different sizes? Table 4 shows each type of

TABLE 4

LIQUID ASSETS AS PERCENTAGES OF GROSS ASSETS,[11] ESTATES SUBJECT TO FEDERAL ESTATE TAX, 1942-44, BY TYPE OF ASSET [1]

Size of Net Estate [2]	Cash	Bonds			Life Insurance [13]	Corporation Stock
		U.S. Government [12]	State and Local Govts.	Other		
	Per Cent of Gross Estate [11]					
(1)	(2)	(3)	(4)	(5)	(6)	(7)
(Thousands)						
Under $100	14.0	5.2	1.6	4.4	9.1	26.2
100- 200	12.0	6.0	2.5	5.5	9.0	33.5
200- 300	10.7	6.6	3.2	6.3	7.8	39.3
300- 500	9.7	7.0	5.6	6.5	6.3	42.2
500- 1,000	9.8	7.4	9.6	5.6	4.7	45.2
1,000- 2,000	9.4	6.8	14.0	4.7	2.4	46.8
2,000- 3,000	8.0	9.2	17.2	2.5	1.8	52.0
3,000- 5,000	11.1	6.7	15.9	2.9	1.0	48.6
5,000-10,000	4.6	13.2	18.8	2.2	..	52.9
10,000 and over .	3.5	5.7	9.1	..	..	72.6
Total	10.9	6.6	6.4	4.9	6.3	38.9

Notes 1 and 2 same as Table 1.

insurance, plus an estimated increase of 10 per cent by audit.

[12] Includes bills, notes and certificates.

[13] Includes life insurance not included in the tax base because of the special exclusion granted until October 21, 1942.

liquid asset as a percentage of the gross estate; [31] corporation stock and "other bonds" are included in full rather than fractionally as in Tables 1 to 3.

[31] Why are the data presented as percentages of the gross estate rather than as percentages of the total of liquid assets? There are two reasons. One is that this form of presentation makes it unnecessary to distinguish between the two concepts of liquidity (with and without corporation stock). The other is that presentation as percentages of gross estate will doubtless be of greater interest to more readers than presentation as percentages of liquid assets. Yet use of the former will not reduce the usefulness of the data for analysis of the specific problems of liquidity.

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Corporation stock

Much the most important type of asset was corporation stock. It alone made up almost two fifths (38.9 per cent) of the gross assets of all estates. For only the smallest estates was stock less than one third of the gross estate. Even assuming that only half of corporation stock was liquid in the sense used in this article, this type of asset was much the most important constituent of the group of liquid assets. For all estates it was almost twice as large as the next most important item, cash. For estates under $100,000, however, half of corporation stock was slightly less than cash (13.1 per cent compared with 14.0 per cent).

On the average, corporation stock was a greater percentage of assets of large estates than of smaller estates. In only one group of estates was the percentage of stock less than the percentage in all smaller size groups. In estates of from $5 million to $10 million, stock was almost twice as important, and in estates over $10 million almost three times as important as in estates under $100,000.

Unfortunately, we cannot determine more about this major item—the importance of large blocks of stock, the extent to which totals were diversified among firms and industries, the importance of stock in business corporations in which the decedent had played a commanding rôle, the extent to which the corporation was a device for holding real estate or other assets, the importance of holdings in what would be considered closely held stock, the extent to which stock held had unrealized capital gain, the ownership of stock in foreign corporations, and other such questions. Some of these questions could be studied from the data on tax returns, but the information required for other problems could be obtained only from other sources.

Cash

Cash is the next most important type of liquid asset, making up 10.9 per cent of the gross estate. It is most important as a percentage of assets in the smaller estates, but the absolute range is very small compared with that of stock. There are only two exceptions to the rule that the percentage of cash declines as the size class of estates increases.

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The absolute amount of cash in the largest estates averaged almost $1 million. There is no way to judge whether this total is characteristic of cash holdings of large estates. The average amount of cash in estates under $100,000 was almost $12,000.

United States government bonds

The third most important type of liquid asset was United States government bonds and other obligations—6.6 per cent of the gross estate. Distribution among estates of different sizes varied relatively little except that one group of large estates had twice the percentage of the lowest group. Estates in the lowest and in the highest classes contained almost the same percentages in United States bonds.

State and local government bonds

Bonds of state and local governments were held in almost exactly the same total amounts as United States government bonds. However, the distribution of the ownership of state and local government bonds was much different from the distribution of United States bonds. The interest from state and local bonds is fully exempt from federal income taxation although the bonds themselves (that is, their transfer) are not exempt from federal estate taxation. Tax-exempt bonds were unimportant in small estates, but in the larger estates they were generally from one tenth (9.1 per cent) to more than one sixth (18.8 per cent) of the total assets. Yet to the extent that maximizing income after taxes is an object of the persons of wealth, it would seem that greater use of tax-exempt bonds would have been appropriate.[32]

[32] At the levels of income presumably associated with estates of more than $1 million, the gross yields from United States bonds, corporation stock, and other assets must be very attractive to yield as much after taxes as do state and local bonds. One of several possible explanations of the apparently low percentages of tax-exempt bonds is that decedents had not adjusted fully to the increases in income tax rates made shortly before death. Another more general reason is that ownership of stock may be necessary for, or closely associated with, the business activity in which the decedent was primarily interested. Moreover, it is often possible for wealthy persons to escape the highest rates of personal income tax by putting assets, especially real estate, into corporations which can be controlled effectively.

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Other bonds

"Other bonds" made up much less than either United States or municipal bonds. They were strikingly unimportant in the largest estates, but in estates of less than $500,000 they were almost as important as United States bonds, and were clearly more significant than municipal bonds.

Life insurance

Life insurance totaled about the same amount as United States government bonds and as state and local government bonds, 6.3 per cent of the gross estate. The distribution of the proceeds of life insurance was very different from that of any other type of liquid asset. The highest percentage of life insurance was found in estates under $100,000, where insurance was 9.1 per cent of the total gross estate. The percentage declined successively with increases in the size of estates, and for estates of more than $5 million, insurance was less than one tenth of one per cent. In fact, there was general failure to take full advantage of the special exclusion granted life insurance. These figures suggest strongly that persons with substantial means make little use of life insurance. To some extent, however, the relatively low totals of life insurance reported in the large estates may reflect not the failure to use insurance but the effectiveness of the use of methods of ownership and distribution of life insurance proceeds which make the proceeds nontaxable in the insured's estate. At the lower range the use of these avoidance methods would hardly have been worth the trouble because tax rates were relatively low. Possible use of avoidance, however, will explain by no means all of the difference between the percentages of insurance in large and in small estates or the failure to take full advantage of the exclusion allowed for tax purposes. Possibly many of the decedents had been too old, or in too poor health, to obtain life insurance when the sharp increases in estate tax rates in the 1930's made the special insurance exclusion strikingly valuable.

Conclusion

Whether the percentages of liquid assets disclosed in this study seem high or low will depend upon the reader's judgment of

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what would normally be expected. What is clear is that most executors should have had little difficulty getting enough dollars to pay debts and death taxes, even death taxes at the peak rates of World War II. When the spouse survives the decedent, the tax at the present time can be very much less than before passage of the 1948 Revenue Act; consequently, the percentage of liquid assets would now be even more comfortable than simple application of the tax rates to the gross estate would indicate.

In many cases the prospect of death taxes must have played some rôle in the decedent's investment decisions which produced the degree of liquidity found. Yet since liquid assets were so often far greater than death taxes plus debts, the investment policy which determined the composition of estates was presumably not based solely, or even primarily, on the thought of the payment of death taxes. The desire to forestall the danger of loss through forced sale of assets to pay death tax may help explain the extent to which persons of wealth have sought liquid investments. Yet this consideration was only one, and perhaps a minor one at that, of many factors determining investment policy.

Within this general situation, which seems to have been easy, there were undoubtedly many individual situations which were very difficult. Averages conceal extremes, and some of the extremes must have involved estates which were tightly pressed for cash to pay death taxes. Such cases present [illegible] individual cases, the exceptions not the rule.

The six types of assets classed as liquid varied greatly in importance and were distributed very differently among groups of estates of different size. Corporation stock was clearly the most important, especially in large estates. Cash, second in importance, was relatively most important in smaller estates. Small estates also tended to have far larger amounts of life insurance than large estates. Bonds were distributed in various ways: tax-exempt bonds were most important in large estates while United States government bonds were distributed rather uniformly.

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FRENCH INVESTMENTS IN ARGENTINA AND BRAZIL

I

THE capitalists of practically all the countries of Western Europe—Great Britain, France, Germany, the Netherlands, Belgium, Spain, Portugal, Italy, Switzerland, and even Sweden and such border countries as Czechoslovakia and Yugoslavia—have made investments in the Latin-American nations at one time or another. From the epoch when the Latin countries of America won their political independence until around 1913, French investments were larger than the investments of any other European country, except England, and perhaps larger than those of citizens of the United States, whose capital ventures in lands to the south were long confined mainly to the Caribbean area and Mexico.[1] After World War I, however, French investments in Latin America began to shrink. French capitalists, unlike those of England and some of the other European countries, even including Germany,[2] were unable to recover from the shock. From an aggregate of approximately $1,600 million at the end of 1913, French investments in this region declined to $450 million in 1938 and to around $200 million in 1946, and all signs pointed to an ever sharper decline during the years immediately ahead.[3]

Except for Haiti until 1914 and Colombia during the 1880's and 1890's when capital in the Panama Canal project swelled the total there, French investors nearly always gave priority to Brazil, Argentina, Mexico, Chile and Uruguay. In fact, from 80 to 90 per cent of French capital in Latin America at any given period was usually in the first three countries men-

[1] See J. Fred Rippy, "Investments of United States Citizens in Latin America", *Journal of Business*, XXII (January 1949), 17-29.

[2] *Id.*, "German Investments in Latin America", *ibid.*, XXI (April 1948), 63-73.

[3] *Id.*, "French Investments in Latin America", *Inter-American Economic Affairs*, II (Autumn 1948), 52-71.

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tioned. The story of French investments in Mexico has been summarized elsewhere.[4] This essay proposes to deal with their rise and decline in Argentina and Brazil.

II

French emigrants have accorded Argentina a preferred position among all the Latin-American nations. It is likely that not less than 240,000 Frenchmen migrated to the Argentine during the century and a quarter following its independence, nearly four times as many as went to the rest of the countries combined.[5]

Many thousands of French immigrants who entered Argentina eventually returned home or moved elsewhere, but at least a majority of them settled down permanently. Although only a fraction of those who established permanent homes there became citizens of their adopted country, most of their children did, so that Argentine citizens of French blood finally came to outnumber the alien French colony. Less than 49,000 French citizens were living in Argentina in 1942. The total had been over 79,000 in 1914 and above 82,000 in 1927. More than 213,000 Frenchmen arrived in Argentina between 1857 and 1914 and approximately 230,000 between 1857 and 1927. They have been described as the "aristocrats" among the immigrant groups, for they usually possessed both skills and capital. They were not merely barbers, dressmakers and pastry cooks; they were experts in architecture, engineering, manufacturing, and many types of business enterprise. Their influence far outweighed their numbers.[6] The properties of those who still retained their French citizenship in 1914, or 1927, or 1942, no doubt amounted to many millions of francs. This

[4] *Id.*, "French Investments in Mexico", *ibid.*, II (Winter 1948), 3-16.

[5] The total number of Frenchmen who migrated to Latin America from the 1820's to the 1940's cannot be ascertained with precise accuracy. Information drawn from sources too numerous to cite here indicates that the aggregate could not have been much more than 300,000.

[6] Mark Jefferson, *Peopling the Argentine Pampa* (New York, 1946), pp. 192-194; Paul C. Migone, *Inter-American Statistical Year Book, 1942* (New York, 1942), p. 119. Jefferson and Migone, who is a citizen of Argentina, base their figures upon official Argentine sources. I have tested them and found them to be essentially correct.

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capital, however, will not be included in the present analysis, which is primarily concerned with the Argentine investments of Frenchmen residing in France.

French capital, other than the immigrant investment, was of comparatively little significance in Argentina until the last two decades of the nineteenth century. Securities concerned with the Argentine began to be offered at the Paris exchanges in 1880, and by 1900 some 16 or more issues, most of them above 10 million francs and a few exceeding 100 million, were admitted to quotation.[7] The vast majority of the flotations consisted of government bonds, both national and provincial, the national bonds often being sterling issues; but they included the securities of at least two financial organizations, one French and one Argentine, and no doubt there were also private distributions as well as investments in unincorporated firms operating in Argentina. An estimate for early 1897[8] placed the total French investment at 500 million francs, a good part of it in government bonds but considerable sums in railway and bank securities, in agriculture, and in other activities. By late 1902, according to another estimate,[9] perhaps a little high, the aggregate had mounted to 923 million francs, classified as follows: government securities, 310 million; agriculture and real estate, 366; railways, 100; banks and finance, 53; manufacturing, 32; mining, commerce, and miscellaneous, 62.

During the next twelve years the flow of French capital into Argentina was large and swift, surpassed among the Latin-American countries only by the magnitude and speed of the stream that entered Brazil. Between 50 and 60 issues of securities involving Argentina were sold over the Paris exchanges during the period, nearly half of the total during 1911 and 1912, when new issues aggregating a nominal value of well above 900

[7] Roger Catin, *Le portefeuille étranger de la France entre 1870 et 1914* (Paris, 1927), pp. 163-213; Congrés Internationale des Valeurs Mobilières, *Documents, mémoires et notes monographiques* (Paris, 1900), II, Doc. No. 44, tables xxiii-xxvi, and IV, No. 115, table xii. Six Argentine provinces floated franc loans before 1890: Catamarca, Córdova, Corrientes, Mendoza, San Juan, and San Luis.

[8] *Revue des Deux Mondes*, CXL (March 15, 1897), 437-439. This is an estimate of French foreign investments made by Raphael Georges Lévy.

[9] *Bulletin Statistique et de Législation Comparée*, LII (October 1902), 478-483.

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million francs were offered.[10] Among the securities purchased by Frenchmen during these twelve years, aside from the bonds of the national government and several of the local governments, were those of almost a score of French corporations operating in Argentina, and the securities of Argentine and British corporations besides.[11] The total French investment by the end of 1914 was in the neighborhood of 2¼ billion francs ($425 to $450 million), some 850 million in government securities and the rest in business enterprises.[12]

The major French investment in Argentine economic enterprises was in public services, which included three French-controlled common-carrier railroads and investments in two or three others; two port companies, one owned and operated by Frenchmen; and interests in a gas company and two or three electric utilities. Next in size was the investment in banks and loan companies, ten of them French-controlled, followed by

[10] Catin, *op. cit.*, pp. 163-213; Association Nationale des Porteurs Français de Valeurs Étrangères (title changed to Office National des Porteurs Français de Valeurs Mobilières in 1913), *Annuaire, 1912*, pp. 453-456, 461-463, and *Annuaire, 1913-1914*, pp. 753-757, 775-776.

[11] See Appendix, Argentina, for a list of these companies. Ernesto Tornquist and Company, *The Economic Development of the Argentine Republic in the Last Fifty Years* (Buenos Aires, 1919), p. 243, states that there were 19 French joint-stock companies in Argentina in 1917 and that the French investment in these companies in 1914 was 366,590,515 paper pesos (the equivalent of 916,226,287 French francs).

[12] In addition to the sources cited in note 10, this estimate is based upon such

Foreign Bondholders (London), *Kimber's Record of Government Debts* (New York), *Moody's Manual: Government Securities* (New York), under "Argentina" in each case, and upon the following secondary works: Albert B. Martínez and Maurice Lewandowski, *L'Argentine au XXe Siècle* (Paris, 1912), pp. 258, 318, 420-425, 437-438; U. S. Federal Trade Commission, *Report on Cooperation in American Export Trade* (Washington, 1916), Part I, pp. 50-52, 192, and Part II, pp. 179-180; Frederic M. Halsey, *Investments in Latin America and the British West Indies* (Washington, 1918), pp. 25-34, 39-45, and *passim*; Vernon L. Phelps, *The International Economic Position of Argentina* (Philadelphia, 1938), p. 246 and *passim*. Martínez and Lewandowski indicate that the total French investment in Argentina in 1910 was just under 2 billion francs; Halsey says the aggregate was "upward of" $400 million (presumably in 1914 or shortly thereafter); the U. S. Federal Trade Commission mentions a total of $771 million! Both *Barron's* (New York), March 17, 1924, p. 7, and *Kimber's Record, 1934*, p. 78, place the figure at $425 million in early 1924. I think the total could not have been as high as $771 million in 1914 and feel that $450 million is a reasonable estimate.

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that in real estate and agricultural enterprises, trading and manufacturing firms, and mining and miscellaneous activities.

With the exception of some ventures made during the highly speculative 1880's—in mortgage-bank *cedulas*, provincial government bonds, and similar investments—French capital seems to have been soundly placed in Argentina. Only one serious economic crisis was confronted before the end of 1929, the crisis of the 1890's, which interrupted services on foreign loans and occasioned some losses in capital.[13] World War I caused complications, but for these Argentina was not at fault, and although the Argentine public authorities, especially the local governments, attempted to profit from the decline of the franc in connection with interest payments or the redemption of bond issues, the advantage was not ruthlessly pressed.[14] There were a few redemptions and several instances of interrupted or reduced interest service, but payments had returned almost to normalcy before the arrival of the terrific depression of the early 1930's.[15]

This economic crisis, like the fall in the exchange value of the franc in the 1920's, caused a rapid contraction of French investment, which shrank from the equivalent of nearly $450 million in 1914 to about $165 million in 1938.[16] And still more rapid contraction was in the offing. World War II and

[13] The vicissitudes of foreign investments, French investments included, are revealed by the annual reports of the Council of the Corporation of Foreign Bondholders, the report for 1891 being especially significant. For fuller information, see John H. Williams, *Argentine International Trade . . ., 1880-1900* (Cambridge, 1920); Harold E. Peters, *The Foreign Debt of the Argentine Republic* (Baltimore, 1934); and the files of *The Economist* (London) and *South American Journal* (London) for the 1890's.

[14] Interest in arrears was funded as a rule, and the Argentine Supreme Court upheld the right of the bondholders to be paid in Argentine gold pesos. See *Kimber's Record* under "Argentina" for the years 1920-1934.

[15] H. M. Cochrane, United States consul in Paris, gives a good summary of the adjustments effected during the period in *Trade Information Bulletin No. 656* (Washington, Department of Commerce, 1929).

[16] Cleona Lewis, *Debtor and Creditor Countries: 1938, 1944* (Washington, 1945), p. 85. Miss Lewis's estimate is $160 million, but I think the total was more. Evidently her figure of a million dollars for government securities does not make allowance for bonds of internal issues or the sterling holdings of Frenchmen, nor does she include sufficient sums for French capital in business enterprises other than railways and the port works at Rosario.

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both war prosperity and rising nationalism in Argentina reduced the aggregate of French capital to no more than $10 or $12 million by the end of 1947 [17] and seemed to threaten its virtual liquidation within a few years.

French capitalists suffered in the 1940's not merely from catastrophic defeat by the Nazis and a precipitate decline in the franc (from an exchange rate, for illustration, of four cents in the depreciated United States dollar of 1938 to less than half a cent in the deflated dollar of 1947).[18] In the case of Argentina, they also confronted a national government zealous for fuller autonomy and for state planning and state

[17] Felix J. Weil, in his *Argentine Riddle* (New York, 1944), pp. 282-283, reproduces an estimate, published by Emilio Llorens in *Nuevo Orden* (Buenos Aires), October 1940, and reprinted elsewhere, which places the total of French capital in Argentina at the dollar equivalent of $113,788,000. The United States Office of Strategic Services made an estimate, apparently in 1943 but without taking account of the liquidation of the Rosario port facilities (the manuscript is deposited in the archives of the State Department), which arrived at an aggregate of $119,286,000. The estimates of French capital by both sources are classified as follows (thousands):

Llorenz		O. S. S.	
Mortgages and government bonds	$ 469	Government bonds and mortgages	$ 496
Railways	94,696	Railways	100,102
Ports	10,785	Public works	10,402
Banks	5,058	Banking	5,347
Manufacturing	1,726	Manufacturing	1,824
Insurance	377	Insurance	399
Commerce	576	Commerce	
Agriculture and livestock	101	Agriculture and real estate	107

The mortgages included in both estimates were probably largely *cedulas* of the National Mortgage Bank.

Eliminating the investment in the liquidated railways and port works, the aggregate would be $8,307,000 according to the 1940 estimate and $8,782,000 according to that of 1943. In arriving at the total for the end of 1947, I have assumed, with reasonable justification, I think, in view of rising prosperity in Argentina, that the value of the French investment in economic enterprises increased rather than diminished and that while some of the government bonds and perhaps some of the mortgages were soon retired, both the estimate of 1940 and the estimate of 1943 were too low for the French holdings of government securities.

[18] In terms of the Argentine peso the decline was even more decided; for the peso, after a sharp shrinkage in exchange value during 1929-1932, remained fairly steady in exchange value in terms of the American dollar or the English pound in spite of the decided wartime inflation of prices in Argentina.

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participation in economic enterprise, a government which seized the French-owned port facilities at Rosario in 1942,[19] purchased the French railroads in 1946,[20] curtailed private banking and loan operations by setting up large state banking and credit institutions, assumed major responsibility for the foreign debts of all the administrative units, and rapidly called the securities for redemption. French investments in railways and port works were thus completely liquidated, and French capital in government securities was decidedly reduced. By the end of 1947 every purely franc issue of the national government had been retired and only franc issues of the provincial and municipal governments remained outstanding—remnants of three or four Province of Buenos Aires loans and a city of Bahía Blanca loan. Aside from these, the only Argentine government securities left in the portfolios of French investors were a few sterling securities, national and local, which French investment bankers had helped British houses to market since the turn of the century and perhaps a few Argentine bonds domestically issued. The total French investment in Argentine government securities and mortgages at the end of 1947 was probably not more than a million dollars, and the aggregate may have been considerably less.[21]

Although there appears to have been no similar recent reduction in other types of French investment, the total capital in them was comparatively small. The banking investment was perhaps less than $6 million.[22] Capital in manufacturing

[19] Salvador Oria, *El Estado Argentino y la nueva economía* (Buenos Aires, [1945]), pp. 219-308; Ysabel Rennie, *The Argentine Republic* (New York, 1945), pp. 201-202, 259-261.

[20] *Moody's Manual: Railroads, 1947*, pp. 923-924. Lines capitalized at 691,678,865 francs were purchased for 182,796,174 paper pesos (around $45,700,000).

[21] In this sum is included approximately 73,000,000 francs in Province of Buenos Aires bonds of 1908, 1909, 1910, and 1915; 800,000 in a 1906 issue of the Province of Corrientes; 2,576,200 in Bahía Blanca securities; possibly a part of a sterling issue of the national government in 1936; and no doubt some portion of a large issue of 1906-1909 of the Province of Buenos Aires (see the references cited in note 12).

[22] The leading banks were Banco Francés del Río de la Plata and Banque Française et Italienne pour l'Amérique du Sud; Frenchmen may still have owned one or two loan companies. Capital and reserve funds of Banco Francés in 1946 were 25,000,000 paper pesos (around $6,000,000), the capital being 15,000,000; but it is likely that a considerable block of shares was owned by Argentine capitalists.

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enterprises — chemicals, pharmaceuticals, cosmetics, and the Michelin rubber factory—was not more than $2 million,[23] unless there were considerable sums in other foreign-controlled concerns or in Argentine establishments. The investment in agriculture, real estate, commerce, and miscellaneous properties probably amounted to approximately another million dollars.[24]

The total French investment in Argentina in the late 1940's was therefore between $10 and $12 million, or considerably less than 3 per cent of the aggregate in 1914, if the estimates here presented are essentially accurate, and the Argentines were capable of liquidating this small sum at their convenience. A long epoch in their investment relations with Frenchmen appeared to be on the point of terminating. It seemed more likely that Argentine capital would flow into France in the years immediately ahead than that French capital would continue to move in the opposite direction.[25]

III

March 6, 1946 promises to be a significant date in the history of French investment in Brazil. On that day the national government of Brazil signed with the French government and the French *Association* (*Office*) *Nationale des Porteurs Français de Valeurs Mobilières* an agreement providing for the redemption over the next two years or so of practically all the Brazilian government and government-guaranteed bonds owned by [illegible][26]

The capital and reserves of Banque Française et Italienne amounted to 597,650,033 francs, with the capital standing at 100,000,000; but this bank was operating also in Chile, Colombia and Ecuador and must have been at least partly owned by Italians. See *Banker's Almanac and Year Book, 1947-1948* (London, 1948), pp. 500, 619.

[23] Adolfo Dorfman, *Evolución industrial Argentina* (Buenos Aires, 1942), pp. 297-299; Weil, *op. cit.*, pp. 234, 282-283. Both of these authors indicate that there were 10 French-controlled manufacturing plants in Argentina in the early 1940's, and their lists of companies are identical. See also the figures on French capital in manufacturing establishments given in note 17. I am assuming that this investment appreciated somewhat during the next few years and that the enterprises were not sold to Argentine or other interests.

[24] See note 17.

[25] The Argentine government extended to the French government in 1945-1947 short-term credits amounting to 600,000,000 [paper?] pesos. *Moody's Manual: Government Securities, 1948*, p. 1786.

[26] *Ibid.*, pp. 1686-1716.

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This important agreement covers at least 229,185,500 gold-franc and 573,916,692 paper-franc securities. Negotiations on prices indicate that the total would be redeemed for somewhat less than 1.9 billion francs at rates of exchange prevailing in 1946-1948, and the sum stipulated for the Liquidation Fund, the equivalent of $19.2 million, reveals the expectation that the value of the franc will average around 100 to the dollar. Thus an investment worth approximately $160 million at the time it was made will be liquidated at a small fraction of its original value. If the agreement should be carried out according to plans, the French investment in Brazil probably would be reduced to no more than 1,500 million francs (some $15 million) by the end of 1948 or shortly thereafter, a good part of this sum made up of securities of little market value.[27] The arrangement seems to announce the close of an era in the investment relations of Frenchmen and Brazilians.

These figures, however, describe French investments in Brazil according to the method employed by the technical economist interested primarily in the international balance of payments. They do not include the holdings of Frenchmen residing in Brazil, which may aggregate as much as 500 million francs, for French citizens living in Brazil in the late 1940's probably numbered around 10,000, the remnant of over 32,000 who had entered the country during the preceding century, including two groups of colonists, one a complete failure and the other only moderately successful.[28]

Aside from the small investments of early trading firms and

[27] This is especially true of the securities of certain railway and port companies. Some of the investment was in terms of Brazilian currency, which had also sharply declined in exchange value.

[28] T. Lynn Smith, *Brazil: People and Institutions* (Baton Rouge, 1946), pp. 273, 286; Fernand Maurette, *Some Social Aspects of Present and Future Economic Development in Brazil* (Geneva, 1937), pp. 69-75; L. E. Elliott, *Brazil Today and Tomorrow* (New York, 1922), p. 72; Roy Nash, *The Conquest of Brazil* (New York, 1926), p. 151. These secondary works are cited for convenience. Their figures are drawn from Brazilian official documents too numerous to list here, and I have found them to be accurate enough for the purposes of this discussion. Elliott, p. 62, refers briefly to the two French colonies. See also Pierre Denis, *Brazil* (English ed., New York, 1911), pp. 270-272. Smith, p. 286, says there were 11,894 French citizens in Brazil in 1920.

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of seven or eight thousand immigrants,[29] little French capital flowed into Brazil before 1880. During the next thirty-five years, however, the influx was rapid. No other Latin-American country, not even Mexico or Argentina, was the recipient of such a large and steady stream of francs.[30] According to one estimate,[31] the total reached half a billion by the early months of 1897, without including the properties of French citizens living in Brazil, most of it in commercial enterprises and in government, railway, and bank securities; and another estimate,[32] near the end of 1902, placed the aggregate at 696 million francs: government securities, 490 million; commerce, 86; railways, 40; real estate, 30; manufacturing, 19; banks and insurance, 11; mines, 7; miscellaneous, 13. The twelve years that followed 1902 witnessed an inflow of still greater speed and magnitude. The total investment of French capital in Brazil at the beginning of World War I was probably not much less than 3.5 billion francs, including around half a billion for the holdings of the French colony.[33]

It is likely that the Brazilian investments of Frenchmen reached their peak in 1914 or shortly thereafter. The First World War and the accompanying decline in the value of the franc interrupted the capital flow, and contraction of the

[29] Nash, *op. cit.*, p. 151.

[30] Catin, *op. cit.*, pp. 162-213. Catin gives an almost exhaustive list of all the foreign securities quoted on the Paris exchanges, a list which [illegible] securities concerned with Brazil were decidedly favored by French promoters and investors. Until after 1902 the French investment in Argentina seems to have been larger than in Brazil.

[31] *Revue des Deux Mondes,* CXL (March 15, 1897), 437-439. This is an estimate published by Raphael Georges Lévy.

[32] *Bulletin de Statistique et de Législation Comparée,* LII (October 1902), 476-483. Some economists have criticized this estimate severely. I think it may be too low for Brazil.

[33] This figure for 1914 is based mainly upon the following sources: *Stock Exchange Year-Book* (London), issues for the years 1890-1915; *Kimber's Record of Government Debts,* for the years 1917-1921; Frederic M. Halsey, *Investments in Latin America and the British West Indies,* pp. 119-214; the annual reports of Association Nationale des Porteurs Français de Valeurs Étrangères (title changed in 1913 to Office National des Porteurs Français de Valeurs Mobilières), especially those for 1912 and 1913-1914; and Catin's long list mentioned in note 7 *supra.* See also Appendix, Brazil.

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capital already invested soon began. Some French securities were redeemed to the decided advantage of Brazil by utilizing the revenues of the Treasury or the proceeds of loans floated in Great Britain and the United States. Interest and sinking-fund payments on others were discontinued because of disputes over the currency (gold francs or paper francs) with which the loans should be serviced; [34] and by the time the exchange issue had been settled the global economic depression, followed shortly by the Second World War, brought complications nothing short of catastrophic for French investors in Brazil as in many other countries. And now, in the late 1940's, with France still stunned by the blows of the recent conflict and torn by domestic discord, the problem was on the way to what appeared to be a final solution by means of a Franco-Brazilian agreement to liquidate most of the investment, at grave loss to Frenchmen but on terms that could have been less generous on the part of Brazil.

The distribution of the French investment in Brazil at the end of 1914 was not very different from its distribution at the end of 1902, except for a heavier concentration in railway securities and bonds of the state and municipal governments and for one new type of investment, a rather large investment in port works. Since French capital was mainly in government bonds or in the securities of public services guaranteed either with respect to both principal and yield, or at least with respect to interest, its soundness might have been assumed by little investors uninformed regarding the inefficient management of public finances that characterized most of the Brazilian administrative entities and the consequent inflation in Brazil, which became chronic shortly after 1889.[35] Only the large investments in the Brazil Railway Company and other Farquhar

[34] The French Association (Office) Nationale vigorously supported the French security-holders. H. M. Cochrane, United States consul in Paris, gives a convenient summary of its activities in *Trade Information Bulletin No. 656*, 1929.

[35] Julian Smith Duncan, in his *Public and Private Operation of Railways in Brazil* (New York, 1932), pp. 44, 47 and *passim*, points out the adverse impact of the inflation, caused by large issues of paper currency to meet budget deficits, on loan services and public utilities, especially railroads. On page 183 he gives a table setting forth the declining exchange value of the milreis in terms of the United States dollar.

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enterprises were patently imprudent. Yet unfavorable local conditions, over which Frenchmen had little or no control, immensely accentuated by two global wars and a world depression between them, for which Brazil was not responsible, eventually brought calamity to the French investor.

Bazilian government securities made their appearance on the French stock-exchange lists as early as 1879, and practically every issue of the national government floated thereafter was quoted on the Paris Bourse. Most of the bonds were sterling issues, but a few were in francs and more were in both pounds and francs. Securities of the Brazilian states began to be marketed in France in 1888, when French bankers floated an issue for the state (then the Province) of Bahía, and by 1914, franc issues for more than half of the twenty states and a few of the municipalities as well had been sold to Frenchmen by French investment houses.[36] Franc bonds of the Brazilian national and local governments outstanding at the end of 1914, considerable blocks of them probably held by Belgians or other Europeans, aggregated around a billion, and French holdings of sterling issues probably amounted to a quarter of a billion more.[37]

French investors began to interest themselves in Brazilian railroads in the 1880's, in the provinces (later the states) of Rio Grande do Sul and Paraná, and during the next thirty years there was a fairly steady flow of French capital into Brazil's railways. French engineers, along with Belgian technicians and capital, built some of the longest and a few of the most difficult roads in the country, and at one period, shortly before the outbreak of the First World War, this Franco-Belgian combination, aided and abetted (and eventually seriously injured) by the ambitious and imaginative Percival Farquhar, seemed to

[36] By the end of 1910, bonds of the following Brazilian states had been marketed in France: Amazonas, Alagoas, Bahía, Ceará, Espirito Santo, Minas Geraes, Pará, Paraná, Pernambuco, São Paulo, Rio Grande do Norte, and Santa Catharina. The municipal issues floated were those of Bahía (São Salvador), Porto Alegre, Rio de Janeiro, and São Paulo. A few of the issues were pounds sterling or franc-sterling bonds. See Le Baron d'Anthouard, *Le Progrès brésilien* (Paris, 1911), pp. 417-418; Catin, *op. cit.*, pp. 162-213; and the investment manuals mentioned in note 33 under the names of the administrative unity mentioned.

[37] Consult the sources cited in notes 33 and 36 *supra*.

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be on the point of surpassing the British, who had arrived on the scene early and selected some of the most promising lines. By the close of 1914 the French investment in Brazilian railways was approaching a billion francs, distributed among ten or twelve enterprises centered mainly in Bahía, Minas Geraes, Goyaz, and the southern states but including some track in other parts of the country.[38]

French capital in port works at this time was approximately 200 million francs. Beginning in 1906 or earlier, the investment included the ports of Bahía (São Salvador), Rio de Janeiro, Rio Grande do Sul, Pernambuco (Recife), and Pará (Belém). In every case a minimum yield on at least a stipulated portion of the capital was guaranteed.[39]

The French investment in banks and other financial enterprises, eight or nine in all, amounted to another 150 million. The most important of these was *Crédit Foncier du Brésil* and *Banque Française et Italienne pour l'Amérique du Sud*.[40]

Holdings in commercial houses, urban and rural real estate, mining, electrical utilities, manufacturing, and other assets probably amounted to around 460 million,[41] bringing the aggre-

[38] Lionel Wiener, in *Cassier's Magazine*, XXXVIII-XL (May 1910-June 1911), gives a convenient summary of the history of the Brazilian railroads. See also Duncan, *op. cit.*, and the numerous sources to which he refers.

[39] Consult *Stock Exchange Year-Book* under the names of the ports mentioned and *Diccionário histórico, geográphico e ethnográphico do Brasil* (Rio de Janeiro, 1922), I, 560-693. This *Diccionário* contains a detailed survey of the history of Brazilian port works signed by Alfredo Lisboa.

[40] Halsey, *op. cit.*, pp. 140-141; Catin, *op. cit.*, pp. 169, 206, 209, 212.

[41] Consult the sources cited in note 33 *supra*, especially Catin, *op. cit.*, pp. 195-212; Association (Office) Internationale, *Annuaire, 1912*, pp. 453-456, 461-463, and *Annuaire, 1913-1914*, pp. 753-757, 775-776, 779-780; and Halsey, *op. cit.*, pp. 167, 181-182, 184, 185, 190, 213. See also Foster Bain and Thomas T. Read, *Ores and Industry in South America* (New York, 1934), p. 140; and Brasil, Directoria Geral de Estatística, *Recenseamento do Brasil realizado em 1 de setembro de 1920* (Rio de Janeiro, 1921-1922), V, Part I, 5, and *passim*. My estimate is based to some extent upon a projection of the figures for 1902. It will be recalled that the French investment in commerce, real estate, manufacturing, mining, and miscellaneous enterprises was estimated in that year at 155 million francs. There seems to have been considerable expansion in all of these fields during the next decade, and a new type of investment was begun around 1902, an investment in electrical utilities, which may have totaled between 95 and 100 million francs. Sizable sums of French capital were invested in British mining, rubber-plantation, and public-utility companies.

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gate up to approximately 3 billion. Add another half a billion for the properties of the permanent French colony in Brazil,[42] and the grand total will approach 3.5 billion francs.

In spite of a few new investments and considerable sums of new securities received in payment of interest in arrears,[43] the aggregate of 1914 shrank over the next thirty years to barely 2.5 billion in francs worth many times less than they were three decades before, and with a good-sized fraction of even this sum composed of securities having an actual value far below their nominal value. In terms of equivalents in United States currency, also greatly depreciated after 1933, an investment of some $600 million in 1914 had shrunk to less than $35 million (excluding in both calculations the holdings of the permanent

[42] I have not been able to discover any official statistics on the holdings of French citizens residing in Brazil, who probably numbered not less than 10,000. An average investment of 50,000 francs each would make a total of 500 million, which I consider a safe estimate. Halsey, *op. cit.*, p. 214, says that estimates of the total French investment in Brazil run as high as $900 million, but does not indicate the year he has in mind. It must have been 1914 or shortly thereafter. *South American Journal*, LXXIX (1915), 167, states that a French official estimated French capital in Brazil at 4 billion francs in 1915. It is therefore possible that the aggregate for 1914 was 3.5 billion francs or more, without including the investments of French citizens residing permanently in Brazil.

[43] George Wythe, *Industry in Latin America* (New York, 1945), pp. 153-154; M. Poblete Troncoso, "Influence du capital étranger dans le development économique de l'Amérique latine", *Revue de l'Amérique Latine*, XXIII (1932), 249; J. F. Normano, "Joint Stock Companies for Foreign Capital in the State of Rio Grande [illegible] *Kimber's Record of Government Debts, 1921*, pp. 71-101, and *1934*, pp. 232-341. Wythe estimates the French investment in Brazil in 1930 at $200 million; Poblete Troncoso gives the figure of 2.2 billion gold francs for 1932; *Kimber's Record, 1934*, p. 232, says that French investments in Brazil, presumably in gold francs and at the end of the year 1929, "were about 2,300,000,000 francs, about 1,500,000,000 being in industrial enterprises." Among the new investments made during the decade or so following 1920 were a rubber-tire factory (Michelin); chemical and pharmaceutical plants; factories turning out rayon; some establishments manufacturing perfumes; one or two ink factories; and an air line (Aeropostale), apparently soon liquidated. The term "industrial", as employed by *Kimber's Record*, probably includes much more than merely manufacturing establishments—perhaps practically every type of economic enterprise—and Poblete Troncoso, who says that the French had 1.5 billion gold francs "invested in industries", is very likely using the term in the same broadly inclusive sense. I think that Frenchmen never had more than $30 or $40 million invested in manufacturing plants in Brazil at any time, and perhaps not more than $10 or $12 million in the 1940's.

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French colony in Brazil) by early 1946 and was on the point of being reduced to $15 million and perhaps much less than that.[44]

In addition to the factors already mentioned — the sharp decline in the value of the French franc, a less decided but significant decline in the value of the Brazilian milreis that made it especially difficult for public services with rates fixed by government, and exchange and other problems arising from war and economic depression—there was still another cause for the shrinkage of French investments: Brazilian nationalism, which tended to thrust the state into the national economy. Owing in part to the financial straits of French enterprises operating in the country but also in part to economic nationalism, federal and local authorities seldom missed an opportunity to expropriate French or any other foreign properties, reducing the compensation in each instance as much as possible and then paying the owners in bonds which, because of exchange and other difficulties, and perhaps indisposition at times, were seldom fully and promptly serviced. Thus it was that many of the public services were nationalized in Brazil and direct investments of Frenchmen and some other foreigners became portfolio investments.[45]

A survey of a century of Franco-Brazilian financial relations points up at least one definite conclusion: French investors furnished Brazil some cheap public services. Many of them, most of the railways in particular, may never have yielded satis-

[44] This would include the capital in the manufacturing plants specifically mentioned in note 43 *supra*, or such of them as remained in French hands, and government, port, and railway securities. Aside from the investment in the Mogyana Railway Company, 20 million cruzeiros or around 120 million francs, the port and railroad securities—ports of Pará and Bahía, the Victoria-Minas Railway, the Brazil Railway Company (a holding company) and its subsidiaries—were of little market value. After the completion of the settlement of 1946, only a few franc government bonds would be outstanding—state of São Paulo, around 21 million; state of Santa Catharina, about 1.1 million—and such sterling or dollar issues as remained in the French portfolio.

[45] The Brazilian government, between 1919 and 1940, acquired by purchase or seizure such French or partly French properties as the port facilities of Rio Grande do Sul, Rio de Janeiro, Recife, and Pará, and the Sorocabana, the São Paulo-Rio Grande, and several other railroads. See the *Stock Exchange Year-Book* and *Moody's Manual: Railroads* for the years mentioned and *Diccionário histórico*, as cited in note 39 *supra*.

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factory profits, but this had been due in large measure to the fact that public services had outrun economic development. As the country fills up with population and as its resources are more fully and efficiently exploited, the returns are likely to improve.

IV

Although the limits set for this article obviously preclude a detailed discussion of French investments in other Latin-American nations, not to mention those of other important investors, a few remarks on these broader subjects seem necessary for comparative purposes and by way of conclusion. While the decline of French investments in the rest of the Latin nations of America may not have been quite so drastic as in Argentina and Brazil, there is no doubt that the shrinkage has been sharp. French capital in Mexico contracted from approximately $400 million in 1913 to hardly more than $40 million in 1948,[46] so that the aggregate for the three Latin-American countries most emphasized by French investors was less than $70 million at the latter date; nor is it likely that the total in the other seventeen exceeded half that sum. The aggregate of French capital in the region at the close of 1948 was thus around $100 million and only a small fraction of the some $1,600 million of 1913.[47]

As for the other European countries, German investments had for the [illegible] British investments had declined to around $2,400 million (approximately £600 million),[49] and those of the rest of the European nations, if the investments of immigrants are excluded, had never been large. European capital in Latin America in the late 1940's probably did not amount to more than $3,000 million,[50] and further contraction was impending. In-

[46] See *supra*, note 4.

[47] See *supra*, note 3.

[48] See *supra*, note 2.

[49] J. Fred Rippy, "British Investments in Latin America, 1939", *Journal of Political Economy*, LVI (February 1948), 67, n. 10.

[50] The aggregate investment of the minor countries of Europe—the Netherlands, Switzerland, Sweden, Spain, Portugal, Belgium, and so on—is not precisely known. See Cleona Lewis, *op. cit.*, pp. 51-53 and *passim*.

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vestments from the United States at that time, including outstanding government loans, were almost double those of all Western Europe.[51] Little wonder that the Latin Americans who had been taking over European investments at bargain-counter prices were advocating a "Marshall Plan" for their part of the world! For the immediate future they could expect almost no capital from any other foreign source.

APPENDIX

MAJOR ENTERPRISES IN WHICH FRENCH CAPITAL WAS INVESTED IN ARGENTINA AND BRAZIL, 1880-1914[52]

ARGENTINA

I. Railways and Ports

(1) Cie. Française des Chemins de Fer de la Province de Santa Fé. (2) Cie. General du Chemins de Fer dans la Province de Buenos Ayres. (3) Cie. du Chemins de Fer de Rosario à Puerto Belgrano. (4) Argentine Union Railway Company, Ltd. (British company). (5) Port Argentine Great Central Railway Company, Ltd. (British company). (6) Cie. du Port de Rosario. (7) Puerto de Bahía Blanca (Argentine organization).

II. Finance

(1) Banco Francés del Río de la Plata. (2) Banque Française et Italienne pour L'Amérique du Sud. (3) Banque Franco-Argentine. (4) Caisse Hypothécaire Sud-Américaine. (5) Crédit Foncier Argentine. (6) Crédit Foncier de Buenos Ayres. (7) Crédit Foncier de Santa Fe. (8) Crédit Foncier Nord Argentine. (9) Crédit Mutuelle Hypothécaire Sud-Américaine. (10) Crédit Territorial Sud-Américaine. (11) El Hogar Argentino (Argentine firm). (12) Banco Español del Río de la Plata (Spanish). (13) Banco Popular Argentino (Argentine).

[51] The total United States investment, government and private, was probably well above $5 billion in 1948.

[52] This list excludes commercial firms and shipping and insurance companies; it is limited mainly to enterprises whose securities were listed on the Paris Bourse. For French trading firms, consult *Commercial Directory of the American Republics*, by Pan American Union (Washington, 1897), and *Trade Directory of South America*, Department of Commerce (Washington, 1914).

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III. Other Investments

(1) Buenos Ayres [River Plate?] Electricity Co., Ltd. (2) Buenos Ayres [New?] Tramways Co., Ltd. (3) Cía Gas de Rosario (apparently controlled by Argentine capital). (4) Mines de Cuivre Famatima. (5) Brasserie Argentine de Quilmés (large brewery). (6) Forestal Land, Timber and Railways Co., Ltd. (British). (7) Hilairet y Cía. (sugar plantations and mill). (8) Société Anonyme de Terres et Domains "La Patagonia" [?].

BRAZIL

I. Railways

French Companies

(1) Cie. Auxiliaire des Chemins de Fer au Brésil (Franco-Belgian). (2) Cie. des Chemins de Fer de l'Est Brésilienne (Rys. in Bahía). (3) Cie. des Chemins de Fer Sudöest Brésilienne (Franco-Belgian). (4) Cie. Générale de Chemins de Fer Brésilienne (Rys. in Parana). (5) Cie. Impérial de Chemins de Fer de Rio Grande do Sul. (6) Cie. des Chemins de Fer de Victoria à Minas.

Incorporated in England or the United States

(7) Brazil Railway Co. (holding company). (8) Madeira-Mamoré Railway Co. (9) São Paulo-Rio Grande Railway Co. (10) San Paulo Railway Co., Ltd.

Incorporated in Brazil

(11) Araraquara. (12) Curralhino-Diamantina. (13) Ferrovaria Brasileira. (14) Goyaz. (15) Noroeste do Brasil. (16) Norte do Brasil. (17) Norte do Paraná. (18) Norte de São Paulo. (19) Paraná. (20) Rede Sul Mineira (Federaes Brasileiras). (21) Rio Doce-São Matheus. (22) Sorocabana. (23) Transbrasileira.

II. Ports

(1) Cie. du Port de Rio de Janeiro. (2) Cie. du Port de Rio Grande do Sul. (3) Société de Construction du Port de Pernambuco. (4) Port of Bahía (Brazilian company). (5) Port of Pará (incorporated in the U. S. A.).

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III. Finance

French Firms

(1) Banque Française pour le Brésil. (2) Banque Française et Italienne pour l'Amérique du Sud. (3) Crédit Foncier du Brésil. (4) Crédit Foncier de Minas Geraes.

Brazilian Firms

(5) Banco Nacional do Brasil. (6) Banco Hypothecario do Espirito Santo. (7) Banco Hypothecario de Minas Geraes. (8) Crédito Hypothecario e agrícola de São Paulo. (9) Crédito Hypothecario e agrícola do Estado da Bahía.

IV. Mines

(1) Société Anonyme des Mines de Cuivre du Seibal. (2) Société Civil des Mines de Fer des Juganda. (3) Société Franco-Brésilienne (iron mines, Minas Geraes). (4) Brazil Diamond Fields (British company?). (5) Brazilian Mining Syndicate, Ltd. (Franco-British). (6) Conquista-Xicão Gold Mines, Ltd. (largely British). (7) Kaolin mines in Rio Grande do Sul. (8) North Brazil Finance and Development Co., Ltd. (Franco-British). (9) Ouro Preto Gold Mines of Brazil, Ltd. (Franco-British). (10) St. John del Rey Mining Co., Ltd. (mainly British capital).

V. Other Investments

(1) De Mello Brazilian Rubber Co., Ltd. (British company). (2) New North Brazil, Ltd. (British). (3) Pará Islands Rubber Estates, Ltd. (Franco-British). (4) Fazendeiros de São Paulo (Brazilian company). (5) Sucreries Brésilienne (Companhia Geral Melhoramentos no Rio de Janeiro; owns sugar refineries). (6) Société Générale de Construction. (7) Société Immobilière et d'Assainissement (real estate and drainage company in Rio de Janeiro). (8) Sociedade Geral Melhoramentos em Pernambuco (incorporated in Brazil). (9) Rio de Janeiro Suburban Tramways, Ltd. (British). (10) Rio de Janeiro Tramways, Light and Power Co. (Canadian). (11) South Brazil Railways Co., Ltd. (incorporated in England, but French capital predominates; owns electrical utilities).

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THE HOOVER COMMISSION REPORTS

PART II

(b) *Intradepartmental Efficiency and Interdepartmental Integration*

SO far we have traversed only the thoughts of the Hoover Commission regarding the presidency and the highest marshaling of the administrative and policy-making forces of the executive branch. It is now time to turn to its views on the efficiency and status of the several departments and their contribution to the whole. Our attention is concentrated, in the first place, upon the situation and effectiveness of the departmental head and his immediate political aides, their links with the permanent career personnel; and subsequently consideration is given to the quality of that personnel.

(1) *The Commission's criticism of the departmental headships.* The Commission passes the severest strictures on the departmental political headship of the various departments and agencies for three reasons. It evidently dislikes the heavily partisan or "political" choices of the secretaries and under secretaries and assistant secretaries, because they rarely have the special expertness which their department requires. This is not recognized that the shortness of tenure of the political headship is, at its longest, inimical to the proper conduct of the department. And, thirdly, it is deplored that there is too frequently a lack of harmony in the ideas, competence and personal compatibility of the departmental political chief and his under secretaries and assistant secretaries. For the appointment of all of them is in the hands of the President, who uses his appointing power at different times, for motives infrequently connected with the march of good administration, and not always to

[1] Departmental Management, p. 29.

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gratify either the chief who is already in office, or the assistants who have lost one chief and are presented with another.

The question, then, is how to remedy the administrative incompetence of such political headship and so make for better intradepartmental services to the national welfare, and at the same time to contrive that the contribution of the department to the President's responsibility is maximized.

(2) *Inseparability of policy and administration.* I regret to say that in answer to this Himalayan problem the Commission has produced nothing but a timorous and crippled mouse. Let us look systematically at the Commission's descent from the grandeur of diagnosis to its pitiful plaster of reform. We can begin with its own sound clue to an answer, and then trace the retreat. The crucial facts are thus stated, though they are not sufficiently elevated from the surrounding material:

> The executive departments headed by Secretaries responsible to the President are traditional and appropriate units under our system of government to provide political direction and political responsibility for administrative activities.
>
> If the executive branch is thus organized, the department heads can provide the vital elements of both political and administrative leadership for Government operations. While the second aspect is as vital as the first, there can be no real conflict between the two at the level of the department head. Political and administrative leadership in our type of democracy are not separable.
>
> Administratively, the department head must accept responsibility for the efficient performance of Government services within the scope of his assignment. This is a continuing obligation on behalf of the President and administratively the departmental head functions as the alter ego of the President. Politically, the President will benefit or suffer in relation to the efficiency or inefficiency of administrative operations.
>
> Furthermore, governmental policy is often closely intertwined with administration . . . .[2]

It would be very difficult to improve on the wisdom of this language: "political and administrative leadership in our type

[2] Departmental Management, Appendix E, p. 1.

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of democracy are not separable." Several other passages reinforce this vital and central truth.

The question, then, forces itself upon us, how to provide for the due coöperation of the political and the administrative mind in the federal government of the United States. I do not mean to imply that there are two clean-cut types: merely, some people incline one way and some otherwise. The problem is to invent a serviceable intertwining of the two. The Commission properly emphasizes the logical and political rightness of political appointees at the headship of the departments, and, naturally, it is the President (with the appropriate senatorial consent) who makes these appointments. The basic relationship between President and department head must, of course, remain the same.[3] Also, the Commission considered, but decided against, the suggestion that the departmental head and not the President should appoint the former's political departmental associates, although they deplored, too, the frequent lack of confidence inside the top political group with consequent inefficiency in the department and unskillful assistance to the President.

(3) *The meaning of "administration"*. The federal government is thus handicapped in the execution of its high tasks at the top political level by interruption, administrative incompetence, want of mutual confidence, amateurishness, and, on the administrative career level, by the almost total absence of a corps of long-term thinkers supplying the cohesiveness, continuity, and uninterrupted responsibility in governmental affairs that the political leadership cannot by its nature undertake, whether it is departmental, presidential, or congressional.

The Commission fumbled the word and notion of "administrative". When it talks of administration, it seems to have in mind only executive detailed acts. If this is all administration meant to it (and obsessed with "management" it undoubtedly did), then it admits in its own mind a vast organizational gulf between political leadership and administrative action. It says that the two are inseparable; in various places it suggests a more mental and policy-making or policy-assisting

[3] *Ibid.*, p. 30.

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rôle for the "administrator". But it is not enough to suggest a knowledge of an idea; the point is to apply the dynamic consequences of its significance.

Now, no one has a right to declare that his view of the meaning of a term in political science is the only meaning that attaches to it, or that it is a heaven-sent dispensation with firm and unmistakable contours. It is enough, and for some people too much, if we are reasonable about the import of our principal terms, and if we use them in a sense common to each other and consistent in our reasoning. I suggest that the Hoover Commission took too mechanical and petty a view of the word "administration" and in so doing emphasized the organizational gap that yawns wide and dark in Washington top management. This is revealed by two things: first, the chief practical recommendation made to remedy the quaking infirmities of top political headship of the departments, and their own amiable and earnest but unsolved misgiving over the nonexistence of "persons of broad administrative capacity . . . persons who experience varied administrative assignments and reveal marked administrative capacities."[4]

(4) *Inadequacy of the Hoover remedy.* Reflection on the deficiency of "persons of administrative capacity" might have revealed the weakness of their practical recommendation, which runs:

> In addition [to the political headship of cabinet officer or administrator, under secretary, and assistant secretaries appointed by President with senatorial confirmation] there should generally be an *administrative* assistant secretary who might be appointed solely for administrative duties of a housekeeping and management nature and who would give continuity in top management. They and certain other officials, as in the Treasury Department, where length of tenure makes appointment from the career service preferable, should be appointed from that service.[5]

This recommendation fails for its inadequacy and its blindness to what is really needed. It is clear from the further ob-

[4] Departmental Management, p. 15.

[5] General Management of the Executive Branch, pp. 37-38.

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servations on this proposal[6] that by "housekeeping" and "management" functions only the narrowest range of administrative action is meant in its least creative aspect, for the task force reporters describe an individual "whose formal assignment is to direct the preparation of departmental budgets, supervise personnel operations, review administrative operations in order to achieve improvements in work organization and methods, and perform such central services as may be desirable."

What the Hoover Commission found missing in the Washington executive branch was a corps of top departmental career *minds*, but it sounded the reveille only for a battalion of glorified office boys.

It is possible that the task force believed it could slide in an administrator with a continuous influence on policy if the inflated office-boy idea were accepted, not because he was gigantic but because he was an office boy. For, to be just, it suggests that such a "key official may exercise an important influence upon *all* departmental matters—upon the substance of policy and program as well as upon the practical procedures essential to execute any work." And the task force did recognize the problem of "continuity" at the top of departments. Yet is it not as clear as daylight that its recommendation does not answer its own analysis of top politico-administrative failure in Washington?

The truth is that the Hoover Commission stopped short of finding the organizational link between the amateurs at the political level and the professional, scientific and clerical officials at the minor executive level—minor when looked at on a departmental scale. This is disconcerting, for their own diagnosis points out, as one of the weaknesses of Washington executive arrangements, that between the political amateurs at the top and the bureau chiefs who may be masters in their own administrative bailiwick, but are far from being men of all-departmental knowledge, experience and vision, virtually no career administrative link exists. They observe that the chief link in all the departments between the political apex and the innumerable

[6] Departmental Management, p. 14.

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masses of minor officials at the base is the bureau chief or his equivalent by any other title, and that of these a very large proportion are not even purely merit appointments.

(5) *Need for an administrative corps.* The most serious gap in the American executive branch, costing many millions of dollars a year in waste and confusion, is the vacuum which prevails between the political partisan amateur departmental headships and the variegated mass of career workers in Washington and the field.

More than any other system of government, the United States system requires the assistance of a career administrative group linking subordinate officials with top political management. That group would be responsible both for the "housekeeping" conduct of the whole department, pervading every bureau, carrying the line of authority through from the top political management down through the bureaus to the least of its servants, and, *simultaneously*, for acting as subordinated adviser, friend and colleague on such subjects but also on policy, as a permanent and dedicated "brain trust", equipped with experience of the department, its needs, and its contribution to and colleagueship with other departments. I draw attention to "subordinated". The United States needs, alongside the political statesmen and subordinated in service and authority to them, a body of several thousand permanent departmental statesmen, staying long enough in each department to know it and integrate all its activities for the benefit of the transient political chiefs and of the President in his wider responsibilities. The Hoover Commission did not see, or did not want to see, or saw and did not want to recommend, this, the instrument of departmental and presidential help. It is a serious omission. It is mixed inextricably with another, made by the personnel management task force and reporters, namely, that they do not provide for such a body of permanent administrators and do not seem to know how to.

(c) *The Poverty of the Personnel Management Report*

"The Federal Government has failed to develop an aggressive program for building a corps of administrators of the highest

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level of ability. It is not quantity of administrators that is required, it is quality." Thus states the General Management Report, page 32. How true! And the task force on the same subject found itself in difficulties, as we have already suggested, because, at the point where such men were desperately needed, they could not be found in the government services. It (Departmental Management) laments:

> Perhaps the greatest impediment to this recommendation [the career administrative assistant for "housekeeping"] has been the past failure of the Federal Government to recruit and train through experience persons of broad administrative capacity. While present personnel practices seem to obtain technically and even professionally competent persons, our Government service does not seem to value or promote administrative capacities of equal importance (p. 15).

It might be asked at once what field of interesting and absorbing work, adequate to attract all that is best in the minds of the best of each generation, has been offered by the organization of the executive branch? Outside professional and scientific services, what kind of life-long devotion can "housekeeping" activities generate? What kind of prestige? After all, if you are confined to housekeeping, you might as well ask for a high monetary compensation for drudgery, and business offers that far more abundantly than government in a democracy can. Is not this at the root of

the task force on personnel,[7] disclosing the phenomenal turnover in federal employment, the continued exodus of "executives and key personnel from upper bracket positions", and the morose aversion of college seniors to the government service in comparison with business?

"Key officials" who had left the government service blamed low salaries, but also the fact that "Government offers less opportunity for advancement than does private employment."[8] A good deal of the trouble can undoubtedly be overcome by substantial increases of salary—and that is the chief contribution

[7] Federal Personnel, Appendix A, pp. 6-9.

[8] *Ibid.*, p. 8.

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of the Personnel Management Report. Is there not also, however, a state of mind to be considered, which has a twofold aspect: the interest of the work to be done (which is what some surely mean when they talk of inadequate opportunity for advancement, or personal development, prestige and recognition, opportunities for public service as on pages 7 and 8) and the kind of brains the public service needs at the top level of the nonpolitical personnel?

(1) *Money, mechanical aids, and mind.* This problem was assigned to the personnel management group, and it must be said that it did not rise to its responsibilities. For it steeped itself mainly in the problem of raising salaries, and then applied its brains to such matters as efficiency records, promotion, and the activity of a reorganized civil service commission. It left it to the civil service commission as reorganized, to recruit "a civilian career service which attracts and holds men and women of the highest intelligence and whose devotion to duty and whose competence is commensurate with the needs of our Government" (p. 2). It is a cause for dismay, when one reads so noble, if hackneyed, a pronouncement, to find that the task force and the members of the Commission have not given the to-be-reorganized commission a scintilla of guidance about what *kind* of brains are needed and what recruitment methods would attract them. They have emphatically not done it. Professor James K. Pollock, a member of the Hoover Commission, reported his inability to give his unqualified approval to the Report on Personnel Management precisely because it reflects "an unduly limited concept of personnel administration, viewing it as a procedural, mechanical process called "personnel transactions" (p. 47). He above all, and perhaps he alone, put his finger on the true sickness of the administrator in the American federal system.

> Public servants conditioned to be clerks during their whole formative experience may be expected to remain clerks even when great responsibilities are thrust upon them . . . . This detail [administrative routine] can be mastered by an intelligent individual within a year or two of Government service.

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> Important policy positions within the Government should be identified, and a systematic practice should be established to place carefully selected recruits with the incumbents of these positions as administrative assistants and understudies. They should be trained to see the problems of Government in broad perspective, and against their proper historic, constitutional, and political backgrounds . . . .[9]

Professor Pollock has his grip on the decisive requirement. He would provide the men for the jobs he has in mind, " policy " and " important positions " affecting policy at that; but who has provided the jobs for such men? It was a responsibility of the general management group to analyze the past and future of the federal government in such a way as appropriately to reveal the place for men of " policy " types of mind, especially as they themselves set so much emphasis on the interweft of policy and administration. That there is a place for such work and career in the American system we have strongly suggested.

It was not within Professor Pollock's sphere of obligation to do in his dissent what the Commission itself did not do. But a few remarks should be addressed to this matter.

(2) *The administrative career service.* The American executive branch desperately needs an administrative career service at the top point in the departments where the political leadership and authority of the heads meet the " policy " and administrative responsibilities of the permanent officials. It is at this point that policy and administration need to be married, the politicians to be induced into administration, the permanent officials at the top of the official pyramid to be initiated into the mysteries of policy, and there both would mingle, with the former always master but steadily relying on advice, counsel and service from the latter. This can hardly be obtained in any other way than by designating a large group of jobs in the service as administrative in the sense here given to it.

There are, the task force on personnel tells us, 15,000 basic skills in the labor force of the United States Civil Service. Of these the supreme one from the standpoint of the govern-

[9] Personnel Management, p. 56.

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ment as a whole is the administrative, for it is architectonic. The administrative consists of a type of mind and character adequate to the objects we have suggested. Everyone possesses this skill in some measure, but not everyone possesses it in the special measure required by the job to be done, within the setting and responsibilities and peculiar urgencies of the United States government. If it is desired to have a group or category of some thousands of such administrators, several hundred at the very apex where they commune with the political chiefs, and several thousand who are their assistants in training by experience for promotion according to demonstrated ability, then it is essential to offer to the young men and women of America the promise of such a career. They must be given a clear, manifest and substantial inducement to seek the career and to be prepared to devote their lives to it. It is little use, as the state of the United States executive branch regrettably shows, to offer many and various jobs, even with good salaries, if a capable man has little notion of where he may be placed in ten or fifteen years after his entrance into the service.

If he is to be schooled inside the government service for high and wide responsibilities, he had better be sent into the specific school of official experience that ministers to his skill at once, and stay there while experience, trial, effort and time mould his character and mind by their buffets and encouragements. It is courting disaster to leave to sheer chance the rise to the top of the administrative ladder, when there is no rung provided at the top, and when some of the rungs on the way upward are missing, and, above all, when the ladder is placed to ascend to a window of high responsibility which, far from being clean and open, is blocked up with rubble. Any young man who puts his foot on that ladder, if he has sensitiveness, pluck and brains, will be inclined to leave the service as soon as he realizes that the top of the ladder, if he could even get there, leads to a blind window called " frustration ". That is what is occurring now.

(3) *Recruitment of administrative group.* Now, the next problem, if this is admitted, is how to recruit such an administrative group—we have made the tacit assumption that the need for it is admitted and the places provided. It is not

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necessary that *all* the positions shall be filled by recruits at an early college- and university-leaving age, but it is necessary that a very substantial proportion of them *shall* be so filled, if the colleges and universities are to play their proper part in preparing young men and women for the service, and if we are to institute a continual focus and object of vocational attraction to the fine, eager, public-spirited minds of each college generation. I applaud the American idea, represented by Professor Pollock's wise remarks, that " the service must be opened to the steady and balanced infusion of new blood from the main streams of American and professional communities " (p. 57).

The American idea that ability and character, wherever it originates, should find a welcome in the administrative services of the government is robust and sound. But the idea cannot be carried beyond a certain proportion—not small—without taking away some of that assurance of a life-long career in the service which will be an inducement to young men, properly educated, to enter it. Carried too far it would bring into the service, at an age and after outside experience and adventures, men and women who may be restless once they are in it and not able or willing to act with the especially equipped state of mind—equity, coherence, high public standards and respect for the laws as made by Congress, given effect by the President, and validated by the Supreme Court. Much more could be said about the many alternative ways of educating these administrators prior to and after their induction into the service, none-

less to say the Hoover Commission, established to secure efficiency and economy in the public services, ignores these. Much could be said also about the problem of the proportion of those who should enter from the colleges and those from other sources, including men and women already in the service by other channels who have demonstrated their capacities in practice. This is not the place.[10] But a word or two must be said on two attendant subjects: the peculiar need of American government for an administrative group of this kind, and the contribution of the Hoover Commission to the oneness of such a group.

[10] See the author's *Theory and Practice of Modern Government* (New York, 1949), pp. 784-89 and 837-45.

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(4) *To palliate the separation of powers.* As the Commission pointed out, there are 15,000 basic skills in the service of the United States. They range from the simplest manipulative to the most complex scientific, professional, fiscal and administrative. Somewhere they must be drawn together to work as a team within the scope and authority of the laws and under the impulse of the enforcement intentions of President and Congress. Somebody must give them coherence, direction, common impulse, and daily leadership and drive. It is one of the most glaring features of the American executive branch that the conditions under which department heads and their associates are appointed and operate do not permit of the adequate fulfilment of this function. The Hoover Commission tells us that, leaving out five cases, the average tenure of department heads between 1934 to 1948 was under four years, of under secretaries varying, from department to department, from something like a year to a little over two years, of assistant secretaries "less than secretaries and somewhat better than under secretaries."

The President needs help — how can he get it from this floating population, many without previous governmental experience? The turnover of the officials strikes dismay into the heart of the Hoover Commission. Nor is that all. The principle of the separation of powers, especially the division of responsibility as it has been enshrined in the Constitution and developed through practice, induces as much discontinuity and confusion in congressional leadership as in presidential. A bridge of ministrant serviceability is needed that will act as a supporting framework for the political steering of the executive branch, and be a link with the leaders and consultant staff services of Congress. More than any other system of government, especially cabinet government, does the United States need this as some antidote to the worst effects of the incoherence produced by the separation of powers.

I know all the arguments usually set up against such a proposal, but they should rather be called prejudices: congressmen like to talk directly with bureau chiefs when they need explanations or favors; congressmen do not like the idea of an

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administrative "class", it sounds "antidemocratic"; the American way of life demands that all jobs be open to anyone at any time; such a group would constitute a "bureaucracy"; such a group would usurp congressional and presidential authority. All these prejudices need cure by mental strife, not cultivation by obsequiousness to the argument that the fathers of our Constitution did well in 1787. In an age when some scientists have the temerity to suggest that God could have improved on the human eye, is it blasphemy to ask that our political scientists have the courage to face the future in the light of their discoveries? The fears, even when sincere, are groundless in the main; where they have grounds there is enough inventiveness among us to provide continuous safety devices.

(5) *A proposal that disrupts: departmental recruitment of personnel.* This brings me to the second matter, the integration of this service. The salient feature of the General Management Report is the need for coherence and integration centering on the President. Many recommendations are made to assist this, to institute it where it does not exist, to cure the disease of confusion and disruption where they have appeared. Yet the main proposal of the Personnel Management Report bearing on personnel directly tends to destroy integration and coherence. It is the proposal that there shall be a drastic decentralization of recruitment of the federal service, that each

cials. It is true that it offers, what in practice must be, the weak qualification that the recruiting and examining programs shall be submitted to the Civil Service Commission. But let us look at the proposal in order to avoid any misunderstanding:

> The President, by Executive order, should require all major departments and agencies to conduct vigorous recruiting programs for, and to examine and make final appointments to:
>
> *a.* All high-level administrative, professional, and technical positions.
>
> *b.* All positions peculiar to the agency . . . .[11]

[11] Personnel Management, p. 17.

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This proposal is at once plausible and specious. It is plausible because it would relieve the Civil Service Commission of an enormous burden of work and speed up the making of appointments and enable the departments to be freer to design recruitment according to the specific needs of their work. It is, however, specious, because it sacrifices a greater good to a lesser: the advantages it wants can be obtained by other arrangements. But its specific way of achieving them goes far toward destroying what above all the federal executive branch at the official and political level most needs; that is, the sense that the public service is one and not excessively divisible, that all belong to one career, that interdepartmental loyalties and jealousies and ambitions and lines of promotion should be subordinated to the public good. There is a notion entertained by the Report that the movement of top officials from one department to another could occur by the continuous scrutiny, discovery and transfer of able men. The problem, unsolved, is how to spot them quickly enough and who is to take responsibility for their passage. It is bound to be the less soluble when men enter, not the civil service of the United States, so much as the civil service of the several departments. The proposal re-enthrones the special expert, and threatens the recruitment of departmental hierarchies, who, at the brain-trust level, will find coöperation difficult, since they will have remained in their own departments for many years after having come in with special talents for it and special loyalties to it rather than to the federal service as a whole. It is one more step away from integration and a single career service vitalized and animated by the possibility of cross-fertilization by transfers within the framework and devotion of a single service.

(3) *Concluding Observations*

Many other features of the Hoover Commission deserve critical notice and appreciation. But time and space forbid. These considerations may be concluded by brief reference to three matters.

First, much is made by the Hoover Commission of the

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" responsibility " of the President, the idea that he embodies a more effective sense of political responsibility than other agencies, especially Congress, because he is the one man chosen at one time without being split like Congress into about five hundred and thirty geographical pieces. It would be far more fruitful to reflect on the fact that one man cannot bear all this responsibility usefully to the nation: no one man has the mind, physique, experience, or greatness of conscience. Play with the word responsibility is therefore largely self-deception. It is formal not effective responsibility. We have suggested how the President might be helped to make his responsibility live.

Secondly, these observations have tried to envisage not only the huge weight of functions which American society has thrust upon government, deliberately and with irresistible determination that it shall act, but have looked forward to the looming quarter of a century before us. America has become the hope of civilization in the world for her material power and her skills and her democratic way of life, a power built by men and women skilled, widely educated, and inspired with good will. This giant social force, by far the wealthiest and most extensive and populous area of human self-government ever known, is part of the constitution of the whole world, and every merit, every defect it has, causes happiness or suffering to millions upon millions within and far beyond the confines of the Republic. All is far from well in its highest counsels [illegible] article, it has been announced that the U.S.S.R. has mastered the art of atomic explosion, and a public brawl, angry and disaffected, has occurred among the defense forces of the United States. Where is the vaunted " presidential responsibility " in this context? And where the Secretary for Defense and the Council of National Defense, and the other aids of interdepartmental integration? Where is the place of a " staff secretary " to the President? What disease has attacked the Council of Economics Advisers that could not have been foreseen? Many homunculi will *not* make a man! It is with the criterion in mind of meeting the responsibilities in the economic and social and world order, no less than domestic and international

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justice and the preservation of democracy, that I have measured the Hoover Reports and found them imperfect.

The Hoover Commission was deficient in *thought*. Above all it did not begin from the functions of the American community today and the foreseeable future, and therefore it could not provide for the due organization of *thought* in the highest counsels of the mightiest nation on earth. If it had done this it would have come upon this truth, that government in the spheres which properly belong to it at any time—and not all spheres by any means belong to it—is best where it is at once omniscient, omnivolent and omnipotent. In the spheres where government has the right, where the community forces it to assume a duty, and only in these spheres, it must know all, will all, and exercise competence and authority. No one will suspect me of any undemocratic thought or intention, who knows my work or hopes. The Hoover Commission did not apply this criterion to its supreme problem. We still wallow, and will yet.

There are some who defend governmental wallowing, some for reasons I understand and respect. It is a question of degree. I should like to see a school of young American men and women arise to rethink the foundations of their system of government, as bold as were the Philadelphia conventionists to progress from the Articles of Confederation, as prophetic as Justice Marshall, as audacious as Andrew Jackson, as brave as Abraham Lincoln, and as ingenious and faithful as others who have solved problems inherited from the past, as, for example, the establishment of civil service in the 1880's when it could easily have been said that the American system required the continuance of spoils. If these men had stood pat, what a mess we should be living in today. If Jeremy Bentham and Edmund Burke had not in the mother kingdom and now the sister republic thundered at the infirmities of the British Constitution, generations would have been condemned to misery. We need not quarrel excessively over the minutiae of the gadgets of reform, for there are many ways to kill a cat, but let us be straight and direct about our criteria and the expression of the governmental needs to be fulfilled. The Hoover Commission might

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have helped us to attain these latter desiderata: it is certainly a high standard to hold it to, but I have done this because the state of public affairs requires it. The Hoover Commission offers no challenge to inertia. The American economy is not yet a "mature" economy; the American rôle in the world order is still an evolving instant in an evolving century—why should the government of America be treated as though growth were not its function and invention its proud destiny?

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CAN WESTERN EUROPE HELP ITSELF?

THE central thesis of Barbara Ward's recent study[1] could be outlined somewhat as follows. The dollar deficit of Western Europe is not caused by the Second World War. It is the result of historic evolution that the war merely accelerated. It cannot be eliminated within the life span of the European Recovery Program. It can be reduced considerably, provided Western Europe forms an economic union, rigidly curtails imports from the United States, and expands exports to the United States and to third countries. This Western European economic union should become a political union. Such a Western association would reaffirm faiths that can resist communism.

It might be mentioned in passing that all this is stated with a great deal of imagination, in vivid and readable prose, and that the quality of the analysis is high, though the book shows signs of having been written in extreme haste. It is literally teeming with inaccuracies. For instance, even the terms of the much discussed Anglo-American Loan Agreement of 1945 are misquoted in two important respects (p. 16); and the exceptionally effective chapter on the "Communist Challenge" (pp. 56-75) contains the startling revelation that the doctrine of the dictatorship of the proletariat, as stated in the *Communist Manifesto*, resulted from the Revolution of July 1848 having changed Marx's views (p. 59). Unfortunately for the argument, the July Revolution took place five months after the *Communist Manifesto* first appeared in print.

All this is unimportant. The main argument of the book is plausible. It has gained popular and intellectual support in the last two years. If it can deliver the results hoped for, it might mark a milestone in history. Therefore the most useful way to review this book is to concentrate on its main argument.

[1] *The West at Bay.* By Barbara Ward. New York, W. W. Norton & Company, Inc., 1948. 288 pp. $3.50.

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This falls into two parts. One deals with the purely economic problem of balance-of-payments maladjustments, about which we have heard so much; the other, with the broader problem of Western Europe's ability to resist communism.

These two problems are linked. If there were no communist problem, the dollar problem would look very different.

Miss Ward distinguishes between immediate causes of the dollar shortage and long-term factors. Among the former she lists the wartime wastage of foreign assets, the wear and tear and obsolescence of machinery and equipment, the depletion of working inventories, plus some incidental causes like the cold winter of 1947. Among the long-term factors she lists the growth of American productivity and American power, plus the decline of colonial exploitation, and the communist challenge, which latter has to be offset by increased social burdens.

Along with this essentially correct diagnosis goes the recognition that the economic foundation of nineteenth-century British free trade was Great Britain's forty-year industrial start.

> No other nation could compete with Britain in the production of industrial goods, and British manufacturers had everything to gain in pressing for the removal of all obstacles to the sale of their goods abroad. They were prepared to concede the equal right of goods from abroad—raw materials and food—to enter freely into the home market as long as their manufactures and their export of capital could find unimpeded entry wherever they sought to go (p. 23).

Thereafter Miss Ward propounds an idyllic view of the mechanism of cyclical readjustments during the nineteenth century that is in large part fictitious. She goes so far as to say that "the greatest single currency in demand for world trading was never out of balance, never ran short."

This thesis holds water only in the bookkeeping sense that the two sides of a balance of payments — ex post — always balance. And in this respect the statement remains true of the dollar today.

The substantial part of the argument needs reëxamining. In the relatively inelastic credit systems of the nineteenth cen-

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tury each cyclical downturn was accompanied if not caused by great financial stringency, with debtors struggling hard to meet their obligations and eventually the creditors moving in and taking over the assets. This was true both nationally and internationally.

International debtors suffered periodically from a sterling shortage just as acute as Europe's dollar shortage today. One could argue that there was a difference in that these sterling shortages hit either young and growing economies that could adjust more easily to the losses and hardships, or colonial populations that had no voice in the matter anyway. But what was most strikingly different from today was the sequel. When the sterling shortage developed, the British creditors behaved no differently from any other nineteenth-century creditors; they moved in and took over the assets of the debtors.

The reason why the United States refuses to act like a nineteenth-century creditor may be largely sentimental. But even if it were not, a return to the drastic nineteenth-century methods of adjustment would be possible only if the people of England were prepared to accept hardships similar to or even greater than those that English capitalists imposed upon foreign peoples—as well as their own—in the past. This is obviously not the case.

The basic reason why certain hardships are unacceptable today is neither sentimental nor economic, but political. The United States would be prevented from using nineteenth-century methods in any case by the simple practical consideration that to try to apply them would drive the debtors into the Communist camp.

If this merely meant that the United States would never be able to afford a leisure class such as nineteenth-century capitalism was able to build up in England, the result would be hardly something to bemoan. After all, as Mr. Brooks Adams remarked in 1913, "the possession by a very small favored class of the unquestioned privilege, whether actually used or not, at recurring intervals, of subjecting the debtor class to such pressure as the creditor may think necessary, in order to force the debtor to surrender his property to the creditor at the

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creditor's price, is a wonder beside which Aladdin's lamp burns dim." [2]

But there is, of course, much more at stake in this issue of dollar shortage plus communism. It involves both the relationship of Western Europe to the United States and the relationship of Western Europe to the Soviet Empire.

Miss Ward claims that a unified Western Europe could both become an economically viable unit and also resist communism. Domestic communism cannot be segregated from outside communist infiltration, Soviet pressure, and at least the threat of Soviet aggression. Therefore we must ask whether her solution can in fact deal with both the economic and the political problem in these broader terms. In this country we must also ask whether this two-in-one remedy is in the interests of the United States. After all, it is this double function that makes the famous "third force" idea so appealing, that makes so many American sympathizers hope it might become a buffer between Soviet imperialism and do-nothing American idealism.

If the Soviet menace did not exist, that is, if Western Europe were allowed to work out its destiny in a foreign political vacuum, united Western Europe could become a viable economic unit, provided she were able to impose her own terms of trade on producers of raw materials and foodstuffs, and provided she could exclude American industry from competition within the enlarged sterling area that would result from this [illegible] are not impossible of accomplishment. Equally obviously, they would strengthen Western Europe against the United States. A patriotic Englishwoman like Miss Ward might consider this desirable. That anybody in the United States should feel particularly cheered by such a perspective seems irrational, to put it mildly. Short of war, no more direct way could be devised to undermine America's industrial and economic supremacy.

It is, however, not even a matter of opinion whether Western Europe will be allowed to develop its destiny in a vacuum.

Five centuries ago Muscovy consisted of a few angry men in fur coats walking about in a hundred thousand square miles

[2] Brooks Adams, *The Theory of Social Revolutions* (New York, 1913), p. 19.

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of primeval forests. From that inauspicious start, Russia rose to control, through the Soviet Empire, over 750 million persons and 15 million square miles. We are in the presence of the greatest imperial people the world has seen since the rise of the Romans. They are typical Romans in their suspicions, barbarism, cruelties, treachery, as well as in their seldom faltering imperial perceptions.

Without American aid the small, civilized, decadent countries on the fringes of the Eurasian Continent cannot defend themselves against Soviet pressure any more than the Greek city-states could defend themselves against the Roman legions.

Would unification dispel the need of Western European governments chronically to overspend on social welfare and on armaments? Obviously no. Communist propaganda will be just as potent as before; and unified Western Europe will be just as much lacking defense in depth as disunited Europe did. In an age of aerial bombing, a defense in depth of 300 miles cannot talk back to a defense in depth of 3,000 to 6,000 miles.

Moreover, the relatively high standard of living and low productivity of Western Europe means that the remaining colonial areas have to be kept colonial. Western Europe is lacking the power to do so. The maintenance of empire, and the sharply one-sided terms of trade on which the viability of Western Europe would at least in part continue to rest, will depend on the willingness of the United States to foot the bill. Alternatively, a major reëquipment effort will be necessary to import mass-production efficiencies to European industry. This also would seem to require United States aid.

It is quite possible that the United States will continue to foot these bills. It is quite possible that the United States will stand for a policy of Western European unification that will exclude American trade and yet depends on American subsidies and defense, because that is the one way to conceal, though not to retrieve, the failure of our post-war planning.

During the war the United States misjudged the post-war political situation to a degree almost unique in the history of

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great Powers. This profound misjudgment with respect to the future resulted in the creation of a large number of paper organizations that to date have failed in their purpose.

The "third force" concept is a new substitute, another wishful makeshift, to postpone and perhaps obviate the painful necessity of liquidating some more of our illusions. To the United States it embodies the hope of diminished foreign economic burdens. To the Europeans it holds out the hope of independence from and ability to talk back to the United States. In the long run that is the way to assure the downfall of both.

The "third force", without the United States as a member, will bring the end of America's brief period of hegemony measurably nearer. In the tragic two-world system that emerged from the Second World War this would be a disaster not only for the United States, but for the third force itself. Western Europe would not be able to purchase its own safety and liberties even by trying to neutralize itself from an eventual Soviet-American conflict. If the United States were ever defeated, all of Western Europe would automatically become a vast Soviet proconsulate, bringing the present phase of Western European civilization to an abjectly Byzantine end.

The third force is not a viable alternative to the present coalition of subsidized client states surrounding the United States. Perhaps there is in fact no practicable alternative. Perhaps a political and economic union, similar to that en-

full-fledged member, might be an alternative. That, however, is outside the scope of Miss Ward's book.

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REVIEWS

Toward Efficient Democracy: The Question of Governmental Organization. By ARTHUR C. MILLSPAUGH. Washington, The Brookings Institution, 1949.—viii, 307 pp. $3.50.

In 1791 Abraham Baldwin, sometime member of the Federal Convention, speaking in Congress on a proposition for enlarging the House of Representatives, sought to reduce the arguments of his opponents to an absurdity: "It has been said, and with an unexpected assurance, that increasing the numbers did not increase the security against these evils [corruption, venality, encroachments by the legislature upon the liberties of the people]. If so, why not reduce it at once to the venerable number thirteen; or, indeed, three; which would give us as great security as the whole body of the people?" The reasoning was fallacious—a legislative body can be too big as well as too small—but it proves one thing: that the Founding Fathers regarded as dangerous the idea of entrusting the business of legislation to a small number of men and would have considered its implementation "to be a most dangerous experiment upon the passions and imperfections of human nature." In 1949 Dr. Millspaugh is under no such fears. In his present book he recommends that the House of Representatives be replaced by a National Council to consist of 21 members.

It is not, however, for its size that this Council would be chiefly remarkable. Everything about it would be violative of the principles [illegible] The Founding Fathers thought it important that the Executive should be independent of the Legislature: "If not independent, usurpation and tyranny will result." They were convinced that the Legislature should be bicameral and the Executive unitary: "In order to control the Legislative authority, you must divide it. In order to control the Executive, you must unite it." They were satisfied that representation should be geographic and proportioned to population: "Representatives of different districts ought clearly to hold the same proportion to each other as their respective constituents hold to each other." Dr. Millspaugh would change all that. His National Council would "possess supreme legislative and executive powers", a proposal which does away at once with the

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separation of powers, the divided legislature, and the united executive. It would be elected by a list-system of proportional representation under which only the votes cast for the two major parties would be counted, a proposal which likewise does away with the geographic constituency and representation proportioned to population.

In supporting his plan Dr. Millspaugh argues along two lines. He is concerned to show, in the first place, that the objectives of the national government have so changed since the eighteenth century as to make our present Constitution obsolete; and, in the second place, that his proposed Constitution is consonant to the new objectives. But along both lines he has failed.

He has not fully understood the nature of the present Constitution or the intentions of the men who framed it: "It is now required of our government that it speak and act nationally, not as an alliance of states or composite of localisms. Furthermore, it is no longer a purpose or requirement of our national government that it curb democracy." The Founding Fathers would have found it easy to reply: they never thought that the federal government should speak and act otherwise than nationally; and their object was to realize, not to curb, democracy.

Let us glance at the proof. We may observe, to begin with, that the national government was established, not by the authority of the state legislatures, but by the original authority of the people. No part of it was founded on the principle of an alliance of states or composite of localisms. In a letter written in 1787 and summarizing the results of the Convention, Madison explicitly declares: "It was generally agreed that the objects of the Union could *not* be secured by any system founded on the principle of a confederation of Sovereign States." Eleven years later Coit of Connecticut remarked that by the Constitution "the several departments originated from the same source —they were all equally the agents of the people." Innumerable quotations could be assembled to bear him out. The President was generally referred to as "the man of the people." The position of the Representatives was explained by Sedgwick and others: "We stand not here as the representatives of the State legislatures . . . but as the representatives of the great body of the people . . . . I consider myself as the representative of the whole Union." Even the Senators, chosen as they were from unequal constituencies, were looked upon as the "impartial umpires and guardians of justice and general good" rather than as "the mere agents and advocates of State interests and views."

Dr. Millspaugh is equally mistaken when he says that the framers

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of the Constitution "did not intend that the national government should be controlled by or be responsible to the people . . . . The aim was to set up a government that the 'prudent' and 'virtuous' minority could control." Madison directly contradicts him: "The General Government", he wrote to Jefferson, "is founded on the republican principle which refers the ultimate decision to the will of the majority."

It would appear then that the objectives of the Founding Fathers were not so very different from those approved by Dr. Millspaugh. Why then the difference in their plans? The answer, I think, is to be found in their differing concepts of human nature and of the structure of American society.

Dr. Millspaugh is satisfied that the majority can do no wrong. The grounds for his satisfaction are not wholly clear. Sometimes, with his talk of rapid transportation and communication, the decline of sectionalism, and the unification of the nation, he seems about to reason like an eighteenth-century philosopher: the people of the United States enjoy not only an equality of political rights but they have precisely the same interests and the same feelings; the interest of the majority is therefore that of the minority also; the decision can only turn on mere opinion concerning the good of the whole, of which the major voice is the safest criterion. At other times he seems to recognize that no society ever did, or ever can, consist of so homogeneous a mass of citizens, and puts his reliance against abuse upon the essential goodness of human nature. This same reliance serves to relieve him of any fears that the men entrusted with administration—his National Council—might, from particular interests of their own, betray the general

The Founding Fathers took another view. They knew from experience that "wherever the real power in a government lies, there is the danger of oppression . . . . Wherever there is an interest and power to do wrong, wrong will generally be done, and not less readily by a powerful and interested party than by a powerful and interested prince." Recognizing that in the United States the real power lay in the majority of the community, they recognized also that the invasion of private rights was *chiefly* to be apprehended, not from acts of government contrary to the sense of its constituents, but from acts in which the government was the mere instrument of the major number of its constituents. Accepting the principle of majority rule, they sought a remedy for its dangers. They gave to the sphere of government such an extent as to render it unlikely that a common interest

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or passion would unite a majority of the whole number in unjust pursuits; they circumscribed the powers of government and directed them to particular objects; they modified the sovereignty in such a way that it might be sufficiently neutral between different parts of the society to control one part from invading the rights of another, and at the same time sufficiently controlled itself from setting up an interest adverse to that of the whole society; finally they underlined and added emphasis to their ideas by adopting a bill of rights, prescriptions in favor of liberty leveled partly against the executive and legislative departments of the government but principally against that quarter where the greatest danger lies, the body of the people operating by the majority against the minority.

It is primarily on philosophic grounds that Dr. Millspaugh and the Founding Fathers stand apart. Those who hold with the latter will reject the plan of the former out of hand, and will confine their efforts to removing the solecisms of the present Constitution and improving the mode of its operation. The rest must ask themselves a further question: Would Dr. Millspaugh's plan, should it ever be established, really result in majority rule? The answer is almost surely no. Consider that the National Council is to be under the absolute control of the largest party. What assurance is there that this party will be a majority party? It is far more likely to be a minority party, the disintegrating effect of proportional representation being what it is. Consider that the delegates on the several tickets are to be selected not by the people but by the party managers; they may be expected to be wheel-horse politicians, faithful followers of the party line, rather than statesmen. Consider that those who are successful will come to the Council, not from geographical constituencies composed of men of different views, but from mathematical constituencies composed of men of the same views, an arrangement which cannot but limit their freedom to act for the general, as contradistinguished from the partial, good. It is presuming too much upon the natural benevolence of man to imagine that a Council so composed would act according to the will of the majority. Nothing is more certain than that it would act according to the will of the party which controlled it.

Dr. Millspaugh refers to our present Constitution as a design for inefficiency. His own plan might, with much more justice, be called a design for despotism.

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The High Cost of Vengeance. By FREDA UTLEY. Chicago, Henry Regnery Company, 1949.—310 pp. $3.50.

Freda Utley has scattered pieces of her heart over many a page. She is an economic historian with a warm soul, a passion for social crusades, and a gift for becoming very rational at unexpected moments. Accordingly she has at regular intervals troubled the slumbers of the more progressive sections of our population. Years ago, when communism was the ikon in many an intellectual's bedchamber, she announced that Stalin was not her candidate for the job of universal Y.M.C.A. director. Today when the same sections are still pretty smug about Germany, she fires some fairly angry cannon at them.

One must discount a part of what Mrs. Utley says. Her motherly soul, having caught a whiff of democracy as meted out to Teutonic survivors of the most recent version of Armageddon, confers virtue on nearly every German and vice on a good many other people. The prostitutes of the Fatherland are at least neat, clean and feminine. General Taylor, to whom was given the impossible assignment of wearing undertaker's gloves in Nuremberg with a genuine West Pointer's nonchalance, is dubbed a "Communist sympathizer". The French as she sees them are overdone crepes suzette dripping with diluted sauternes. It would be fearfully easy to point out these matronly shortcomings and pass on.

The trouble is that Mrs. Utley is dead right about the important things. She has found out that "democracy" was sold down the river in Germany by a platoon of experts in ideological hocus-pocus, while the American people thought they were financing peace, freedom,

first-rate report on the dismantlement program. It is of course not a systematic study—which would probably be dull as well as premature —but it is a very able and conscientious analysis of typical cases. I suppose that for many Americans dismantlement may have something to do with German fireplaces, for all they care. But when we read that Social Democracy in the Western Zones has just taken a fearful beating at the polls, and go on to wonder whether nationalism may not be rearing its ugly head in Germany again, it will help to let Mrs. Utley tell us that the explanation of what has happened is that the Social Democrat clung to his devoted admiration of the British Labor party way past the point of German endurance. Four years ago the British had an unparalleled opportunity in Germany. They could have held in their hands the power that in all probability might have made

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Westphalia the cornerstone of a new and pacific West European Federation. But the heirs to the crown of Winston Churchill played for pennies and now have only holes in their pockets. Mrs. Utley's indictment of them (and to be sure, also of the United States) on charges of gross stupidity and bad ethics is complete and devastating. Here are offenses against humanity which no brave new world can live down, and it is high time we had a look at them.

Mrs. Utley also has her say about the Nuremberg trials. These grandiose experiments in how to coat your defeated enemy with justice no longer rate the empty spaces in the educational supplement, and I am not sure that this book makes any very startlingly novel statements. But what it does offer is a pretty effective survey of the way in which German public opinion has responded to the advertising copy which the trials and the denazification proceedings were expected to produce. This survey is not very exhilarating, but I believe that on every topic of real importance it is correct.

There is enough truth in this book to make it worth staying up with. I believe it will be followed by many another similar in character. At any rate, Mrs. Utley has earned her laurels as a pioneer, and the subject with which she deals is of the utmost importance.

GEORGE N. SHUSTER

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Italy and Italians. By COUNT CARLO SFORZA. Translated by Edward Hutton. New York, E. P. Dutton and Company, Inc., 1949.—ix, 165 pp. $3.00.

The Genius of Italy. By LEONARDO OLSCHKI. New York, Oxford University Press, 1949.—vii, 481 pp. $5.00.

It has been pointed out that the years since the end of the war have witnessed a considerable American interest in Italy. This interest has been largely literary, but the fact that Italy has become part of the frontier of the West, instead of its center, has also made for much attention of a political nature. Italy, as someone put it, has been America's spoiled child. Yet, to a very large extent, Italy remains the object of much misconception which the literary interest mitigates only in part. The two books under review have in common the fact that they may be regarded as contributions to answering the question: what is this Italy and how did it come to be what it is?

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Of the two, Sforza's is the more deliberately directed to this query. The career and personality of Sforza are familiar enough. During the long twilight of Fascism, he strove as a voluntary exile to explain his conception of the " true " Italy to the outside world; his book, in fact, grew out of a series of lectures which he gave during the war at the University of California. It may be described as propaganda in the original and best sense of the word. A collection of light essays, the title of the course of lectures, " Contemporary Italy and Its Intellectual and Moral Origins ", best describes their purpose and content.

Much, in fact, of this content will be found more than once in some of Sforza's earlier writings, but some of the points made here, if hardly novel to those familiar with Italian history, are worth repeating and stressing. This is true, for instance, of the profound significance in the development of Italy of the urban and municipal tradition, a tradition going back not only to the Middle Ages, but to the days of pre-imperial Rome and which the centralizing Empire to its ultimate detriment sterilized. The same applies to the importance given to the arts in Italy throughout the ages, to the extent in fact of causing an equation between ethics and esthetics and even at times a substitution of the latter for the former in the scheme of values. Many apt things can be said on the score of " Italians and their roots in the soil ", though one is here on treacherous ground. Especially when we come to the more recent period, the lack of raw materials in the Italian soil as against their presence in the German should be given as much attention as the contrast between the luminous atmosphere delineating sharp contours and the primeval forest and northern mists when comparing the behavior of Italy and of Germany as modern nations.

Sforza is now again in the same seat of power in Italy which he occupied for a while shortly before the Fascist adventure. His program for Italy—and for Europe—is, now as then, rooted with consistency in an enlightened liberalism. Allowing that his views would gain rather than lose by less insistence on his foresight and their rightness, the program is sound nevertheless. It is to the credit of both Italy and her foreign minister when Sforza speaks unequivocally of the Fascist aggression of June 1940 against Britain and France as the shabby deed that it was. Such honesty is a necessary prerequisite to true reconciliation. It is to be regretted that this approach, implemented in current efforts toward Franco-Italian coöperation, for example, minimizes the reality of much misunderstanding that subsists on both sides of the Alps. However, to repeat, Sforza is in large part an advocate, and the advocate of a good cause.

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Mr. Olschki's book belongs in a different category. It is an excellent book that can be highly recommended. The author's background—chiefly Italian and German, but broadly continental European—and his earlier studies qualify him eminently for the task he has set himself: with deep understanding and sympathy, yet with unsentimental dispassionateness and the breadth of a cosmopolitan outlook, to trace the course of Italy's development. Sforza's book will be easier for the general reader; for Olschki, by contrast, offers a very meaty diet consisting of massive and sound scholarship rather than a dilettantish and eclectic skimming over the wealth of material that Italian history offers. This is not another history of Italy, though such a work would be very welcome to the English-speaking reader. Instead we are led through a roughly chronological series of essays, learned and acute analyses of various aspects of the whole field of this checkered history. Definitely no Marxist, evidently repelled in fact by the narrow materialistic limitations of the Marxist approach, Olschki nevertheless fully recognizes the rôle of the economic limitations inherent in the Italian soil. ". . . everywhere the triumphant cult of poverty made its influence felt. Today it is possible to distinguish between those reactions of the country where resignation toward poverty and suffering meant the passive fatalism of the oppressed, and those where it became the smiling patience of the wise" (p. 77). Recognizing also the predominant rôle of the urban influence on the course of Italy through the centuries, due allowance is made for the cleavage produced by this situation of which the stresses of the story of Italy from the *Risorgimento* to the present are the fruit.

The tangled skein of the legacies of old Rome, the Rome of the Popes, the quarrel between Emperor and Pope, the medieval municipal development, is unraveled and rewoven with an illuminating skill which derives from well-organized thinking of the materials of the story, placing on solid ground the precise meaning of the "fundamental" democratic tendency of the Italian people to which Sforza refers. The significance of the Counter Reformation is likewise well brought out and its deadening effect upon the springs of Italian cultural life. Yet the deep-rooted Italian devotion to the arts provided a saving outlet. If scientific speculation were too risky and ideas had better be eschewed in favor of a sterile formalism of behavior and thought, music could provide an escape. Likewise, earlier, the political eclipse of Italy had coincided with the high flowering of her culture and her cultural conquest of the Europe that conquered her soil. "The

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tragic destiny of Italy is manifested in the pathetic circumstance that her religious inertia coincided with the attainment of her highest ecclesiastical power, just as her political effacement concurred with the maturity of her political thought and experience" (p. 353). The later failure of the Church of Rome to absorb the ferment of nineteenth-century thought, comparable to her failure to respond soon enough to the sixteenth-century demand for reform, is clearly and mercilessly dissected. We are led on through the *Risorgimento* and the subsequent drab half-century, to the aberration of Fascism and the current unresolved confusion. This reviewer has seldom come across a more apt analysis, in so brief a compass, of this recent period of Italian history.

In any work of such dimensions one may inevitably find room for differences. Perhaps Olschki gives undue credit to the work of Garibaldi—just as Sforza unduly belittles Gioberti—and a more detailed bibliography would have been appropriate. Such criticism, however, is almost carping.

In the end, Sforza rests his case for the future of Italy on an act of faith: "When it is considered coldly, the reasons for progress are not to be seen; nevertheless they exist" (p. 87). Olschki puts it somewhat more acutely: "The tragedy of these new generations [of Italy] lies in the disenchanting experience of liberty as a spiritual vacuum and history as a heap of ruins . . . . Yet most of the victims of that tragic situation seem to practice in thought and deed the immortal wisdom of Voltaire's Candide, by devoting themselves, silently and patiently, to the task of cultivating, even under most adverse conditions, what poets have called the garden of Europe and the country

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Russia and the West in Iran, 1918-1948: A Study in Big-Power Rivalry. By George Lenczowski. Ithaca, Cornell University Press, 1949.—xv, 383 pp. $4.50.

Although Iran has receded into the background of the world's news during the last two years, it is unlikely to remain there for long, and Professor Lenczowski's study will be of value to those who wish to follow the next stage in the development of this crucial area. From the point of view of the historian of international relations, however, the book has its limitations, perhaps inevitable ones.

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The history of Iran's relations with the Great Powers before the First World War is of course the classical example of the impact of expanding empires and of an expanding world economy upon a society too primitive to take an independent part in such developments, but too advanced simply to be absorbed by an external force, and protected against forcible annexation by the fact that it was the scene of the conflicting interests of two major Powers, Russia and Great Britain. Already then, there was a difference between the two. The Russians for well-known reasons already cherished the hope that some day Iran would be theirs to the gulf; the British were hopeful of preserving it as a buffer state and were directly concerned only with the southern oil fields.

The same difference existed after the Russian Revolution, but with the difference that Communist ideology provided a new reason for looking forward to the satisfaction of Russian wishes, and Communist methods of infiltration and propaganda made a deeper impact and a wider appeal. As Mr. George V. Allen, a former American Ambassador to Iran, writes in his Preface to Professor Lenczowski's book, the rivalry in Iran today is not between Great Powers, "the rivalry is between big ideas."

For this reason, Professor Lenczowski is quite right to treat the growth of communism in Persia and the relations of the Persian Communists to the Communist International as wholly germane to his subject and to include a theoretical analysis of current Marxian doctrines with regard to countries in Iran's position.

The ability to conduct such a study, however, is conditioned by the materials available. There is a good deal on the history of Russia's relations with Iran in the period 1919-1921 but most of the story is pretty well known. On the history of the 1920's, one is apparently forced to rely very heavily on the accounts of three former members of the Soviet governmental apparatus, and on the 1930's—the period when Germany was establishing a considerable hold in the country—Professor Lenczowski has found very little on the Soviet side. It is indeed curious that the significance of Soviet discussions of the land problem—the most vital one for all Middle Eastern countries—seems to have escaped his notice.

The most interesting part of the book is that devoted to the years 1942-1945 when Professor Lenczowski was in Iran in the service of the Polish government. Much profit may be derived from his acute analysis of Soviet, British and (as far as it went) American propaganda, and of the light which this throws upon the respective attitudes

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and ambitions of the three countries. As in China, so in Iran, it is clear that the American attitude, that military and economic assistance could be given to a country while strict neutrality in political matters was preserved, did not correspond to the facts; and was an attitude that Oriental minds found perplexing and suspected to be insincere.

The narrative of the dramatic post-war events—the Soviet pressure for an oil concession, the Soviet-sponsored risings in Azerbaijan and Kurdistan, the British riposte in the tribal south, and finally the adoption of a new and more positive American policy—all these are narrated in a useful and direct fashion, although with less documentation than someone wishing to probe deeper into the subject might find desirable. For Professor Lenczowski does not probe—and only occasionally does he suggest where probing would be desirable.

So we are left with some major questions unanswered. Was the Russian demand for oil concessions the reflection of a genuine need or merely an attempt to forestall American penetration into territories adjacent to the Soviet borders? Indeed there is no discussion at all of the new strategic factors of the atomic and air age. Again, despite the fact that in the early part the relevance of what happened in Soviet Central Asia itself is seen, and attention devoted to it, there is very little attempt to connect the more recent Soviet attitudes in Iran, and recent propaganda, for instance on the religious side, with possible developments among the minor nationalities of the Soviet Union at home. Throughout, Soviet expansionism is postulated rather than analyzed.

Nevertheless, the book's virtues outweigh its faults which are those of omission rather than of commission—although one wonders where Professor Lenczowski got the idea (p. 69) that Theodore Rothstein, the first Soviet envoy to Iran, was "a former editor of the *Manchester Guardian*".

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Max Beloff

Personality and Culture in Eastern European Politics. By Dinko Tomasic. New York, George W. Stewart, Publisher, Inc., 1948.—249 pp. $3.75.

To read this book is to come a little closer to a realization of what makes the difficulty of the Eastern European political scene. But it is not to leave it with the sense that, now that all is clear, the situation can be treated wisely and with a sure touch. Mr. Tomasic, skirting the field of the planner, does his best work when he presents, in the

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language of contemporary students of culture and personality, the character of the Dinaric and the Zadruga groups, the type of contrasting personalities which are developed within them, and the way these have evolved in the past, in the transposition from a rural to an urban milieu, and under the impact of clashing religions, clashing nationalism, and, more recently, clashing ideologies. He is least effective when, in a final chapter, he offers suggestions for a "planned transfer of minorities on a voluntary basis", to be carried out under the auspices of a benign and power-indifferent society of nations, modeled, one suspects, upon the remembered joys of the Zadruga of his youth.

The area appears, in the author's phrase, a "patchwork of ideological patterns". He looks with dismay on projected efforts at imposing a "fixed framework" upon the area, by which he means a compulsory unification of Eastern Europe by either the Soviet-centered or the America-centered world. In his view, such attempts merely foster power-seeking tendencies of the herdsman-brigand-warrior-police ideal type, the product of the Dinaric heritage carried over into the conflicts of the present day. They make for a heightening of the tensions between peasant, herdsman, and exploitative urbanite, for more violence and despotism, for further splitting of groups and the perpetuation of old feuds. Set against this trend toward violence is one toward "political quietism", a withdrawal into passivity which must be the peasant's chief defense. Against this background we are to understand the significance of the various Partisan and Peasant political movements.

In contrasting the personality types of the power-seeking Dinarics and the power-indifferent members of the Zadruga social unit, Mr. Tomasic traces the development of the individual through its stages, with stress on the treatment of and attitudes toward the infant, male and female, marked differences in child-rearing, in the emphasis on rivalry, arrogance, boldness, and autocratic rule on the one hand, and on mildness, coöperative living, and the avoidance of leadership and the need to command on the other. The Dinarics rejoice only at the birth of male babies; the bride is received by the mother-in-law with a male child in her arms, and she must step upon a skin rug under which weapons are hidden, that she may bear warriors; children are brought up to think of the head of the extended family as a fierce and autocratic Father, to think of God as "that bloody old slayer". They are taught not to trust their fellows, they learn to steal from each other if they see the chance. Women and weaker males are oppressed.

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The hero Marko, celebrated in the ballads, sliced off a maiden's right arm at the elbow and put it in her left hand, when she refused him. In the family and in the tribal structure, the hero is the autocrat, it is he who is leader. Down through the centuries the Dinaric tradition runs, the children, the adolescents, the young men modeling themselves upon this pattern. A fourteenth-century ruler, Dushan, held as his title "Czar and Autocrat, of the Serbs, Greeks and Bulgars".

The Zadruga type is described as given to equality and common toil, treating men and women with equal respect, sharing property and labor in the fields in an atmosphere of benevolence and idyllic helpfulness. Children are not allowed to fight among themselves. An important point, children are not praised. As with the French, they are not praised for achievement, and this may be a tenet which has far-reaching effects in the playing down of aggression and of competitiveness within the group. Even stealing is discouraged, the pregnant woman is advised to refrain from thievery lest her child turn out a thief. It is the rule that children speak of "we", not "I". In fact, the danger for the members of the Zadruga society seems to be that they will love each other too much. Brother and sister incest is specifically recognized, and specifically tabooed.

As Tomasic puts it, there is a difference in the two traditions, even in the belief in the returning spirits of the dead, which the members of the two groups share. For the Dinarics, they are projections of aggression and fear; for the Zadruga people, primarily of guilt.

We learn, not without a note of discouragement in the implications, how under the stress of modern times the coöperative Zadruga society has broken down. The disintegration takes the form of the splitting formerly held in common, and endless, costly lawsuits over the boundaries of this property. As feudalism withered away, the social configuration in which this particular social unit held together was no longer operative, and the Zadruga people became the prey of tax-collector, lawyer, and priest. They found themselves helpless in the face of the new urban-rural relationship, and in its possibilities for exploitation they became not the oppressors but the oppressed.

The book is based on Mr. Tomasic's own knowledge of the area, and on a number of studies of sociological import made by Eastern European scholars and by others. A good bibliography of these works is appended.

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A Charter for World Trade. By CLAIR WILCOX. New York, The Macmillan Company, 1949.—xvii, 333 pp. $4.50.

This book is a masterly exposition of the intricacies of the proposed Charter for an International Trade Organization (I.T.O.) and a powerful plea for its ratification. It is divided into three parts: (i) an outline of the background, covering the inter-war experience in commercial policy as well as the protracted negotiations leading up to the Final Act of the Havana Conference (pp. 1-50); (ii) a detailed analysis of the Charter as it emerged from Havana (pp. 51-168); and (iii) an appraisal of its general features (pp. 169-220). The text of the Charter is reprinted as an appendix (pp. 221-327).

Professor Wilcox played an outstanding part in the I.T.O. negotiations. No one is better qualified to guide us through the maze and to clear up the many obscurities which the text of the Charter presents to the uninitiated. He discusses the various provisions, not necessarily in the order in which they appear in the official document, but grouped together systematically under the general topics to which they relate. From this treatment there emerges a much more coherent picture than a reading of the Charter itself can possibly give. The author often leads us behind the scenes and shows how certain curious provisions, though couched in general terms, were designed to cover peculiarities of economic policy in particular countries. For giving us the benefit of his special insight and experience—instead of resting from his labors after Havana—he deserves our sincere thanks.

The I.T.O. Charter constitutes a very comprehensive framework of rules for the commercial intercourse of nations. It is an unprecedented achievement; yet it is only a framework. Since the book under review deals with the I.T.O. Charter, it deals inevitably with the techniques rather than the substance of world trade relations. Within the limits set by its subject, the book achieves an admirable clarity and cogency of presentation and analysis. It will be read with special profit by students of international economics.

Whenever he passes from explanation to appraisal, the author shows himself as a forceful advocate of the I.T.O. He displays great skill in answering various criticisms of the opponents in this country. It is evident that his book, written in a terse and vigorous style, is intended largely as an essay in persuasion, addressed to the American public.

Professor Wilcox tries hard to do justice to the attitudes of foreign countries in the I.T.O. negotiations, but in this he is not consistently successful. The Australians, for instance, with their emphasis on full-employment policies, get a rather scornful treatment from him.

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His enthusiasm for the Charter may be natural enough; to an outsider it sometimes seems unwarranted. The Charter provides an orderly code of international commercial policy, but surely it cannot by itself solve the substantive problems of world trade. Professor Wilcox claims that the Charter is "concerned with the actual problems of the workaday world" (p. 188) and that its ratification would fulfill the promise of "the restoration of a freer trading system" (p. 210). Now the great problem of the workaday world is the "dollar shortage", a general imbalance in trade and payments between the United States and the rest of the world. How could the Charter, if now in force, deal with this problem? By permitting the rest of the world—including not only war-torn countries in Europe but also countries like Canada, Sweden and Argentina— to impose quantitative restrictions in order to safeguard their dollar reserves and balance of payments (under Article 21) and to administer these restrictions in a manner discriminating against American goods (under Article 23). That is what is happening without the I.T.O. According to Professor Wilcox, a rejection of the proposed Charter would have two main consequences: first, other nations would impose import quotas discriminating against the United States (p. 215); second, the United States government, in turn, "would find itself under pressure to increase its bargaining power by establishing an import quota system of its own" (p. 217). The first consequence is, under present conditions, quite consistent with the Charter. It is only the second that would be excluded by the I.T.O., so long as the United States remains a country with large gold reserves and a surplus in its external accounts.

In the balance of international trade and payments, one country's deficit is another's surplus. The disequilibrium which the dollar shortage reflects can be tackled either (a) by the deficit countries cutting down their imports, or (b) by the surplus country increasing its imports by lowering its trade barriers and keeping up its income and employment levels. (Foreign investment by the surplus country is another possibility, but it lies outside the field of trade policy.) The former alternative clearly reduces the volume of world trade; the latter increases it. The I.T.O. Charter explicitly sanctions the former; all it does to promote the latter is to state, in vague and undefined terms, that surplus as well as deficit countries should make their contribution to the problem of balance. The Charter might at least have spelled out clearly the elements of the expansionist solution. As it is, the solution which it specifies in full detail is the restrictionist one of deficit countries reducing their imports through quantitative controls.

It is worth noting that the Charter singles out the most objection-

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able method of trade regulation—import quotas—as the means of dealing with balance-of-payments disequilibria. The tariff method, in accordance with United States policy since 1934, is tied up with the principle of *reciprocity* in trade negotiations and concessions, and is thus made unsuitable as a means of righting the international balance.

Professor Wilcox recognizes that, even in the period since 1934, "we have refused to make concessions that would necessitate adjustment to the requirements of a world economy" (p. 192). Nor is our insistence on the escape clause for tariff concessions under the I.T.O. a favorable omen for the future. One reason why "sterling shortage" was not a term current in the nineteenth century was England's abandonment of tariff protection, not in return for reciprocal concessions by other countries, but *unilaterally*. Wilcox refers to the fact that America lacks England's dependence on foreign trade (p. 5). But let us remember that this dependence was partly of England's own choosing. By repealing the Corn Laws and allowing her agriculture to decline, England *made* herself dependent on imports for her daily bread. Are we prepared to increase our dependence on imports of clothing, pottery and children's toys from Europe? This is the question which the world's dollar shortage raises; Europe's dollar crisis, which persists even though the post-war production crisis is over, raises it with special emphasis. It may be argued that a solution to substantive problems of this sort is not to be expected from a document such as the I.T.O. Charter; but neither should, then, exaggerated hopes be founded on the Charter's adoption. The I.T.O. is a worthy cause to advocate; but it would be dangerous, in advocating it, to spread the notion that adopting it, enforcing it, and abiding by its rules is all that is required for the expansion of world trade and for the fulfillment by this country of its responsibilities of world economic leadership.

This book makes it clear that the Havana Charter owes its existence chiefly to American drive and initiative; "the I.T.O. is recognized everywhere as an American project" (p. 214). Accordingly, the Charter is, on the whole, "a product of the philosophy of economic liberalism" (p. 164). Well and good; but in our eagerness to restore the more liberal trading system of the past, let us not overlook the conditions that made it work, including the conditions which England provided for nearly a hundred years through unrestricted imports and large-scale foreign investment.

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The Commonwealth and the Nations: Studies in British Commonwealth Relations. By NICHOLAS MANSERGH. London, Royal Institute of International Affairs, 1948.—viii, 229 pp. 8*s.* 6*d.*; $2.50.

Mr. Mansergh is well known to students of British Commonwealth affairs from his writings, especially on the history of Ireland and Anglo-Irish relations. He has been Director of the Empire Division of the British Ministry of Information and Assistant Secretary in the Dominions Office (now the Commonwealth Relations Office), is Professor of British Commonwealth Relations at the Royal Institute of International Affairs, and is at present preparing an extensive and systematic Survey of British Commonwealth Affairs from 1939 to 1949. The volume before us is a collection of eight essays, in which he aims to raise some questions, examine some developments, and emphasize some underlying trends in recent Commonwealth history. These essays are not equally important, but they all contain suggestive comments and observations.

A review of the different conceptions of the Commonwealth held in the older Dominions leads the author to the conclusion that any reversal of the trend toward greater decentralization, such as was, or seems to have been, advocated by General Smuts and Lord Halifax in important speeches during the war, would give rise to serious political conflict within two of the Dominions at least, Canada and South Africa. Decentralization, however, has brought with it a growing sense of regional responsibilities, and Mr. Mansergh believes that "emphasis on regional interests is in time likely to create a new sense

Commonwealth States."

Three of the essays are devoted to exposition and interpretation of recent occurrences in Asia. An impressive account is given of the Asian Conference, summoned by the Indian government and held at New Delhi in the spring of 1947, which is viewed as marking one of the great divides in history, not because of its specific accomplishments but because of the circumstances under which it met. "It was by the death-bed of the Indian Empire that delegates hailed the birth of the new order in Asia. When Britain voluntarily laid down her sceptre, what places remained for the lesser Imperialisms of France and the Netherlands?" As Pandit Nehru said in his opening speech at the Conference, "Asia after a long period of quiescence has suddenly become important again in world affairs." Yet the cultural and political impress of Britain and the West in general is not a mere passing

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phenomenon in the history of Asia; for "one of the outstanding impressions left by the Conference was that English is by general consent the only possible lingua franca of Asia", and "parliamentary democracy was acknowledged as the highest form of political life by all the South-East Asian countries." Mr. Mansergh was in India in 1947, and his essay on "The Last Days of British Rule in India" is a record of some of his personal impressions formed during that time of extreme Hindu-Muslim tension, when leaders of both communities were openly talking about the possibility of general civil war. His principal criticism of the British Raj in its last years is that it was not always true to its own ideals, and he regards it as a profound misfortune from almost all points of view that the transfer of power did not take place a generation earlier. In another essay the rôle of the U.S.S.R. in Asia comes under consideration. The author strikes a somber note, for Western ears, when he says: "Russian rule in Asia, unlike British rule in India, or Dutch rule in the East Indies, has always been invested with an air of finality. That is an important and lasting factor in the development of Asia." Yet there is some consolation in the reflection that Western political thought and institutions have their attractions for Asiatics. "The new Constitutions of India and of Burma and the direction of constitutional thought in Pakistan all afford convincing proof that the East believes that the political systems evolved by the democratic West have merits not to be lightly disregarded."

The problem of nationalism bulks large in Mr. Mansergh's thought because nationalism, in his opinion, remains the most powerful force in world society. "It determined the destiny of Ireland a quarter of a century ago; of India, Burma, and Ceylon in our time; and will, sooner rather than later, decide the future of Africa." Can nationalist aspirations be reconciled with membership of the Commonwealth, and if so, under what forms? This is the great constitutional problem of Commonwealth statesmanship, and it is the most important theme dealt with in these essays.

This theme is introduced in the opening essay, in which Mr. Mansergh presents some reflections on the Commonwealth in general. Speaking of Burma's decision to sever constitutional links with the Commonwealth, he remarks that Dominion status, largely for psychological reasons, made no appeal to the Burmese, and is moved to inquire whether that status, with what it involves and implies, is well adapted to the needs of "the more nationally self-conscious peoples of Asia." The concluding essay, "The Implications of Eire's Relationship with the British Commonwealth of Nations", which reproduces

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an article contributed by the author to the January 1948 issue of *International Affairs*, makes it clear that his own answer to this question is in the negative.

Down to the 1930's it had generally been supposed (at least since World War I) that Dominion status, involving rights of complete self-government and constitutional equality with the United Kingdom, combined with allegiance to the Crown, was the normal goal of constitutional development within the Empire. In the 1930's, however, the Irish Free State, while bent upon absolute independence, traveled a different road and moved toward a different goal. After Mr. de Valera became prime minister a series of constitutional amendments followed by the adoption of a new constitution in 1937 transformed the Irish Free State, which had been established in 1922 with the status of a British Dominion, into a virtually independent republic. The British government declared that they did not regard the new constitution as making any fundamental change in the position of the Irish Free State, known under its new constitution as Eire, and the oversea Dominions concurred in this declaration, but in effect, as Mr. Mansergh shows, the system of government established in Ireland under Mr. de Valera's leadership did not accord with the principles of Dominion status but conformed in all essentials to the "external association" which he had proposed at the time of the Anglo-Irish negotiations preceding the establishment of the Irish Free State in 1921. The critical difference between Dominion status and external association is that the former does and the latter does not involve loyalty and allegiance to the Crown. In 1921 the British government insisted upon Dominion status for Ireland, and Ireland yielded, under threat of [illegible]

out, of a new civil war among the Irish themselves. Mr. Mansergh believes that it was unstatesmanlike to force Dominion status on a people who did not desire it, and that the mistake of 1921 should teach Commonwealth statesmen a most valuable lesson regarding the relationship of former British dependencies in the East, especially India, with the other Commonwealth countries.

> However different in form, the problem that now [the author was writing soon after the transfer of power in India and Pakistan in 1947] confronts British statesmanship in the East is the same in essentials as that which confronted it in Ireland a quarter of a century ago.... In 1921 the problem was solved by the grant of Dominion status to the Irish Free State. Was this the right solution? Can Dominions be made artificially as well as grow naturally? Has the wisdom of the solution been justified in the sequel? Did it display the right psychological approach? (pp. 193-94)

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These questions were posed by Mr. Mansergh two years ago, and his answers to them were in the negative. He believed that for such a country as India some form of external association was clearly preferable to Dominion status, depending as the latter must for its successful working upon "a whole set of ideas, a whole range of common associations, containing nice implications only to be readily understood by people whose background and whose training have been very similar." The constitutional position in relation to the other Commonwealth countries to be held by India, concerning which announcement was made at the conclusion of the meeting of Commonwealth prime ministers held in London last spring (April 1949), looks like a compromise between external association and Dominion status. On the one hand India is recognized as "a sovereign independent republic" and as such will obviously owe no allegiance to a king, but, on the other hand, she is to remain *within* the Commonwealth, not to become an external associate of it, and to recognize the King, not as King of India, to be sure, but as head of the Commonwealth. All of this is calculated to drive the logically-minded to despair—but it may work.

ROBERT LIVINGSTON SCHUYLER

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New Compass of the World: A Symposium on Political Geography. Edited by HANS W. WEIGERT, VILHJALMUR STEFANSSON and RICHARD EDES HARRISON. New York, The Macmillan Company, 1949.—xix, 375 pp. $5.50.

This symposium on political geography consists of twenty-three articles written by nineteen geographers, and is a sequel to *Compass of the World,* published in 1943. In the *New Compass of the World* the editors aim to highlight new or continuingly significant trends in political geography by examining "certain carefully selected spots on the surface of the globe" and by discussing "vital trends affecting the human geography of our day." On the whole they have been successful, though many may question the relative importance of certain of the topics selected. Certainly an interesting and stimulating presentation has been achieved.

The twenty-three papers are arranged in five chapters each stressing a region or a topic which the editors consider pivotal. At least seven of the articles, incidentally, have appeared elsewhere (the editors fail to credit the *Geographic Review,* April 1947, for George Kiss's "T.V.A. on the Danube?"). Four articles on "The Arctic and Antarctic Spheres" begin the discussion, the opening essay being by

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Stefansson. In it he vigorously reiterates his belief that the Arctic is assuming and will continue to display an increasingly important rôle in our destinies. Stefansson's arguments are familiar and need no examination here. Suffice to say that he is far more convincing in pressing the strategic importance of this area than in describing it as an area ripe for colonization. In the second article, "Canada's Northward Course", Richard Finnie displays somewhat greater realism in explaining Canada's failure to keep pace with the Soviet Union in Arctic exploitation. The two conspicuous differences in circumstances are that Canada is not socialistic and that Canada's population is only about one-sixteenth that of the Soviet Union. Nevertheless, Finnie agrees with Stefansson that prejudice against the Arctic is withering, and that Canada will and must move northward to achieve maximum strength and prosperity. In article three, Professor J. Wreford Watson examines the changing factors of Canada's political geography and develops nicely the special position of Canada as a "linchpin" of Anglo-American relations. He concludes that this position will increase in importance, but that Canada must substitute for her traditional latitudinal orientation a longitudinal one. She must look southward for future security and must give increasing attention to building defenses to the north.

The second chapter consists of seven papers which analyze "The Heartland and the Expansion of the U.S.S.R." The first two papers, by Dr. Weigert and Professor C. B. Fawcett, reëxamine Mackinder's hypothesis. Fawcett concludes that the first premise, "Who rules East Europe commands the Heartland", has been amply proved, that the second, "Who rules the Heartland commands the World Island", is much less certain, and that the third, "Who rules the World Island commands the world", is as well grounded as the first. One follows his reasoning to the third point; here he supports the hypothesis on the grounds that the World Island includes two thirds of the world's arable land, more than three quarters of its population, and is richest in natural resources. Certainly the minority of the world's population outside the World Island might question its authority and it is conceivable that they might possess the techniques to challenge it.

The papers in chapter iii are connected with the theme of Russian expansion to the west. Professor van Valkenburg examines "The Rise and Decline of German Lebensraum" and concludes that "the dream of German expansion has been dispelled for a long time to come." One wonders if this view is not already too optimistic. May not this German dream be revived by one or another of her former enemies in an effort to win her allegiance in a possible conflict? The

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remaining chapters are concerned with " Strategic Areas and Lifelines " and with various aspects of the political geography of Asia.

In some respects " New Compass of the World " is a frightening book. The staccato nature of the warnings presented, from the " ominously " increasing rôle of the Arctic to the " ominous " significance of Asiatic overpopulation problems, is almost overwhelming. A surprising amount of informative material is to be found in the book, however, and the views of the several authors are timely and provocative.

WILLIAM A. HANCE

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The Power in the People. By FELIX MORLEY. New York, Toronto, London, D. Van Nostrand Company, Inc., 1949.—xvii, 293 pp. $3.50.

Mr. Morley's sermon on the state of the Republic offers still another demonstration of the extent to which the preoccupation with liberty has displaced the earlier concern with order and stability in conservative thought. In company with other sophisticated political conservatives (whose views are perhaps best represented in the pages of *Fortune Magazine*), Mr. Morley conducts his crusade to save America's soul under the banner of " true " liberalism. The appropriation of this symbol has some historical justification; for Mr. Morley, without being a principled laissez-faireist, persuasively argues a case with which a pre-Gladstonian liberal would find himself in general sympathy. If Mr. Morley was capable of displaying the ill temper and vituperative spirit endemic in political debate on the extreme Left, he would probably assail J. A. Hobson, L. T. Hobhouse, and the early twentieth-century American progressives—all, curiously enough, ignored in *The Power of the People*—as " deviationists ", " heretics ", " wreckers ", " traitors ", and " polluters " of the liberal tradition. Mr. Morley's liberalism, in short, is the variety found in the writings of Herbert Hoover and William A. Orton. And this is to say that the cast of his thought and the values he affirms should, at the mid-point of the twentieth century, be labeled conservative.

From one point of view, *The Power in the People* may be regarded as an elaborate historical argument to demonstrate that the United States was intended to be a republic and not a democracy, and that the great issue of the present day is to find the means for escaping from " unbridled " democracy, against which the Founding Fathers established wise safeguards, and for returning to the kind of governmental

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order originally contemplated. Viewed more concretely, the volume is an attack upon the growth of the functions and powers of the federal government, a repudiation of the ends and means of the New Deal and Fair Deal programs, and an answer to the theories and practical proposals of the contemporary liberals whose views are conveniently set forth in *Saving American Capitalism*, edited by Seymour E. Harris. In Mr. Morley's eyes, Big Government (like everything else big) is bad in itself, the welfare state is anathema, and the New Deal had as its undisclosed objective the destruction of economic freedom in the United States. While Mr. Morley quite correctly stresses the significance of the problems which flow from the concentration of political and economic power, he fails to perceive that any attempt to bring about a diffusion in and balancing of the pools of concentrated power necessitates sizable institutional innovations and adjustments. The reasons for this failure lie in the fact that Mr. Morley's weapons for attacking the problem of power concentration derive from and are geared to eighteenth-century situations and hopes. Thus, he is certain that only through a spiritual regeneration of the individual which enables each individual to govern himself can the problem of power in twentieth-century America be solved. How this system of self-government operates remains quite obscure.

The conservative posture turns on obeisance before tradition, and Mr. Morley has isolated a strain of pure American tradition before which he worships. This he finds with the aid of an unduly selective, and therefore distorted, version of American history and at the cost of ignoring the pluralistic character of American civilization. He is not only a traditionalist, but he is also a nationalist who insists that what

toward Europeans, but he is certain that the capitulation to European ideas and ideologies is one cause of the malady from which the United States suffers. He cherishes the "eternal" principles upon which the American system of government is founded, and he asserts that the dim "flame of the Republic" which still burns is threatened with complete extinction because Americans have lost the true faith.

The changes which have occurred in the government of the United States, Mr. Morley holds, are not "in harmony with the original design," and, consequently, jeopardize the existence of the whole structure. His prescription against the ills and failures of American life is a regeneration of the spirit which can be brought about by a realization of America's distinctive heritage and a return to its native principles and values. Among other things, according to Mr. Morley, this would produce an understanding of the extent to which American

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political thought rests on the Christian "conception of God as Spirit" and of the fact that the natural rights of man "are the work of God, however we may define Him." The rôle played by Mr. Morley's deeply felt religious convictions in his discussion of the nature and problems of civil government invites an examination which unfortunately cannot be undertaken in a review of this length.

Mr. Morley has an understandable predilection for individuals and minorities of quality and a suspicion of the masses. Consequently, he finds virtue in a society where there are no status groups and where opportunity is always open—this is what he means by social democracy—and sees in the growth of political and economic democracy the road to ruin. In this respect he is out of tune with one of the most exciting of American traditions—the tradition which has been forged in the efforts to realize in the everyday life of the people, where, it is assumed, power should reside, the fullest possible meaning of a dynamic democratic ideal.

Henry David

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Monetary Management. By E. A. Goldenweiser. New York, London, Toronto, McGraw-Hill Book Company, Inc., 1949.—xiv, 175 pp. $2.75.

Monetary Management by E. A. Goldenweiser, now at the Institute for Advanced Study, but for many years Director of Research and Statistics for the Board of Governors of the Federal Reserve System, presents a brief nontechnical review of American monetary and credit policies since the establishment of the Federal Reserve System. The volume, containing 102 pages of text and 47 pages of appendices, is the fifteenth in a series of research studies initiated by the Committee for Economic Development. The brevity of the study is doubtless due to the fact that it is to be supplemented by other C.E.D. studies in the same or correlative fields. Mr. Goldenweiser is himself preparing a study examining the position of money in an advanced industrialized economy, and others are preparing related studies on fiscal policy, the management of the public debt, money flows and cash balances, production vs. inflation, and so forth.

Money, which Mr. Goldenweiser defines as any generally acceptable means of payment, plays a strategic rôle in the economy because it alone, among the factors causing instability, is susceptible to "impersonal and pervasive" regulation (pp. 7-8). This regulation is directed toward volume, availability and cost. From the point of

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view of business decisions, availability is considered more important than volume, and interest cost plays a more significant rôle than is generally recognized. There are many lines of endeavor in which interest cost is important (p. 18), including housing, public construction, the building up of inventories, and so on. Effective monetary management, through influencing the volume, availability and cost of money, can contribute, Mr. Goldenweiser concludes, to stable economic conditions and a rising level of economic well-being.

Much of the work is devoted to a discussion of crucial policy decisions of the Federal Reserve System. The value of this central core of the study arises from the fact that it sets forth the point of view of one who for many years occupied an important position in the councils of the System. The study obviously is not intended as a definitive treatment of Federal Reserve credit policy.

In discussing inflation after World War I, Mr. Goldenweiser holds to the opinion, as many did at the time, that discount rates should have been raised in 1919, an action which was estopped by the apparent necessities of Treasury financing. Not having raised rates in 1919, the author states that the drastic action taken in 1920 was not justified.

In reviewing inter-war credit policy, Mr. Goldenweiser concludes that the easing action taken in 1924 was a mistake and that perhaps the similar action taken in 1927 was likewise a mistake, although less clear cut. On the basis of the 1924 and 1927 experiences, he questions whether international considerations are a safe guide to domestic credit policy. The discussion of the speculative trends in 1928 and 1929 is quite sketchy, ending with the conclusion that the policy of the [illegible] and somewhat contradictory" (pp. 55-56).

Mr. Goldenweiser declares that the credit policy followed by the Federal Reserve System from 1930-1936 did not break the force of the depression, although it probably moderated its ravages and helped establish a climate favorable to recovery (p. 57). The raising of member bank reserve requirements in 1936 was a correct policy in that it placed the Federal Reserve System in direct contact with the market. During 1937, however, the System was somewhat slow in easing conditions by open-market operations.

In reviewing the fiscal and credit policies followed during World War II, Mr. Goldenweiser implies that there was disagreement between the Treasury and the Federal Reserve. The Treasury laid emphasis on the importance of interest costs on the growing debt, and the Federal Reserve on means and measures to minimize inflationary pressures.

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However, the author states that the story of this relationship is not a matter of "public record" and must await a future chronicler (p. 64).

The adoption of the particular rate pattern on government obligations followed during the war "was probably a mistake" (p. 65). The reasons cited were that this pattern could not be maintained indefinitely and that the attempt to do so had strong inflationary consequences.

When the war was over, "inflationary monetary policies, developed to facilitate war financing, were abandoned slowly, reluctantly, and only to a limited extent" (p. 75). The most important of the post-war inflationary factors, Mr. Goldenweiser states, was the support accorded long-term government obligations at 2½ per cent. No central banking powers can be effective in controlling credit as long as the commitment on long-term bonds remains in effect (p. 80). With these conclusions, the reviewer finds himself in agreement with Mr. Goldenweiser and regrets that he later weakened his case by suggesting that it was desirable, in maintaining orderly markets in government obligations, to prevent a decline in their price substantially below par (p. 81). Mr. Goldenweiser points out the futility, under the price-support policy, of increasing member bank reserve requirements and concludes that effective credit control is impossible if credit conditions are not permitted to tighten and if additions to bank reserves can be obtained by the market at its own initiative without borrowing from the Federal Reserve Banks.

Here and there through the volume Mr. Goldenweiser makes positive suggestions for improving the credit-control powers of the Federal Reserve System. Thus he points out the indisputable need to co-ordinate the credit policies of all government agencies. While admitting that selective credit controls cannot be a substitute for regulation of the money supply, nevertheless he feels that selective controls over security loans and installment purchases should be a permanent tool of the monetary authorities. His case would have been strengthened had he also included real estate mortgage loans. These are the three relatively homogeneous bodies of credit suitable for selective credit control.

Changes in reserve requirements as a method of reducing the availability of money, the author concludes, are not well adapted to frequent use (p. 14). Such changes may work hardships in individual cases and, of course, at best apply only to member banks. Reductions in required reserves will not necessarily increase the volume of bank credit. Credit expansion depends upon banks' judgments as to the

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character of available investments and loans. Mr. Goldenweiser expresses skepticism of the desirability of the secondary reserve proposals (p. 91) and suggests as a positive program that the reserve requirements, which apply to member banks, be made applicable to all banks accepting demand deposits and that these requirements be based upon the type of business rather than upon the geographical location of commercial banks. He also suggests that the Board of Governors be given power to impose higher reserve requirements on increases in deposits than those applicable to deposits as of a given date.

Deficits arising from depression he feels should be financed by the sale of short-term government obligations to commercial banks. Deficits arising from war, which should be reduced to a minimum by raising as much of the cost as possible by taxation, should be financed by selling nonmarketable bonds to the public and by raising the rest of the funds required by selling government obligations to the Federal Reserve Banks. The inflationary effects of such sales should be offset by imposing higher reserve requirements on bank deposits after a certain date and commercial banks should cover the cost of handling these new deposits by increases in service charges (pp. 94-95).

While doubtless there would be much disagreement with some of Mr. Goldenweiser's proposals, nevertheless they are thought-provoking and would need to be given careful regard in any changes to be made in statute laws and in the development of fiscal and credit policies. The point of view of one who has spent many years in research activities with the Federal Reserve System deserves serious consideration. It is to be hoped that such consideration may be given the views of Mr. Goldenweiser and others by a National Monetary and Credit Com-

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Saving American Capitalism: A Liberal Economic Program. Edited by Seymour E. Harris. New York, Alfred A. Knopf, 1948. —xviii, 373, vi pp. $4.00.

Saving American Capitalism consists of a series of thirty-one essays by twenty-four distinguished scholars and men prominent in public life. The central theme of the volume is the search for a program, which, in securing full utilization of our economic resources, would guarantee simultaneous enlargement of our individual freedoms. The authors seem to agree that this happy outcome can best be achieved by preserving our basic capitalist institutions. According to Professor

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Harris and his collaborators, however, the system needs some major changes before it will be worth saving.

Government figures prominently in the blueprints for the future drawn up by these authors. Some of them recognize that with increased economic commitments the power of the state over the people will have to be extended. All appear to accept as inevitable increased government controls over the daily activities of the people. The realities of the situation leave little choice: "The alternative is not between planning and no planning, but between democratic planning and autocratic planning, between planning in a free society and planning under a dictatorship" (p. 161). And again—"achievement of the larger freedom requires diminution of the lesser" (p. 174).

The keynote is struck by Governor Chester Bowles. Under the second New Deal which he proposes, the government's activities are to be widely extended. In an age of big business, big farming and big labor we require, he asserts, even bigger government to enforce the fair rules needed to preserve the free-enterprise system. The state is also to assume responsibility for providing equal opportunity for all its citizens. This means vastly increased provision for education, social security, housing and health, and government initiative and support in utilizing resources now undeveloped, and in providing services which are normally undertaken on a profit basis.

The government, in order to accomplish its mission, must institute a nation-wide program of electrification (Morris L. Cooke and Carlton L. Nau); must build homes for half—not a third—of the population, who are ill housed (Charles Abrams and Guy Greer); must break up monopolistic establishments which are stifling the growth of free enterprise (Wendel Berge); must build schools and provide for the needy (Edwin E. Witte); must enact labor legislation to balance the scales between labor and capital (John T. Dunlop); and must maintain an agricultural program which will assure the farmer his fair share of the total national income (Seymour E. Harris). Our foreign trade must also be nourished to provide optimum benefits for ourselves and the rest of the world (Abba P. Lerner). A discussion of the technical problems involved in stabilizing demand is provided by Professors Alvin H. Hansen, Lorie Tarshis, Lester Chandler and the editor.

The volume under review shows a remarkable unawareness of obstacles with which our social architects must reckon in seeking to convert their blueprints into actual constructions. They fail, for example, to discuss the economics of their program in relation to its politics. Such proposals, viewed against their necessary background of congressional deliberateness and aversion to change, seem utopian in-

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deed. Experience scarcely justifies the faith found here in programs dependent for realization upon the coöperation of groups in our economy which have proved themselves to be so antagonistic.

Men of good will undoubtedly will say "Amen" to the wonderful bright world proposed in *Saving American Capitalism.* Alas, however, there appears little hope that the envisaged tower to heaven will be achieved in a society torn by economic strife and conflict.

CHAMPLAIN COLLEGE SAR A. LEVITAN

The Empire and the Glory: Napoleon Bonaparte, 1800-1806. By FLETCHER PRATT. New York, William Sloane Associates, 1949. —xvii, 535 pp. $3.75.

It is only fair to begin a review that tempers praise with strong reservations by stating that Mr. Pratt is innocent of the charge that he levels in his Preface against academic historians. His most recent work on Napoleon does not sacrifice "characterization, climax, dramatic unity, and the interest of the reader" to objective fact. Like Livy, whom he extols, he possesses "the qualities usually sought in fiction." A popularizer in the best tradition of the word, he does not encumber his presentation with footnotes, nor does a scaffolding of bibliography mar the ordered finish of his writing. Were it possible to share with him his idea of history, one would only commend his mastery of a technique which has produced an exciting hybrid, a sort of crossing of a Dos Passos novel with modest and unobtrusive scholarship. True, it is not always clear whether he is turning a respectful eye toward the elusive objective fact or paying his respects to the not [illegible] at once learned and paradoxical, exciting and witty, as indeed he is. There can be no two opinions concerning the vivid, colorful and dramatic narrative that he pens. His treatment of military developments is superb; and few professional historians are his peers in explaining the main lines of strategy or tactics and at the same time extracting the romantic, human qualities of adventure that unfortunately pervade the civilized carnage that war is. On the other hand, his handling of diplomatic affairs, while frequently witty or ironic after the event and invariably grounded on solid fact, tends to err on the side of melodrama or episodic trivia.

Even if his concept of history were acceptable, it would be difficult to agree with the main lines of his treatment of this particular period of history. Assuredly there is good ground for arguing as he does that the Consulate and the early Empire were healthy correctives to

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the Revolution. But this stand need not entail the exaggeration, which is implicit throughout the entire account, that "all the old machinery in France had been wrecked by the Revolution . . . not only the political machinery, but every device that makes human relations possible." Objective fact or the dramatic contrast of fiction? It need not lead to the dramatic but again unverifiable declaration that persecuted priests "hardly dared emerge from hiding until the Consulate replaced the capricious Directory"; or to the implied observation that the promulgation of the Napoleonic Code reconciled European lands that had been outraged before by the soldiers of the Revolution. After all, it is a matter of record that the Consulate from which the Empire grew was neither necessary nor inevitable, that it was the planned creation of curiously interested and calculating business interests and politicians.

Mr. Pratt admires Napoleon, as do many other people, and for somewhat the same reasons. He thinks very highly of the general, and he makes his point. He also admires the great administrator, which is not amiss. But are Napoleon's efficiency, his realism, and his flexible empiricism enhanced by running down his liberal opponents? Granted that the man-woman Germaine de Staël was difficult and her adoring Benjamin Constant cut a silly figure, still the author seems less disturbed by Napoleon's muzzling of them than a historian or novelist might be. Not their personalities or lack of realism was the point at issue, but the fact that their speeches and writing were pleas for personal freedom and the life of the spirit that Napoleon's efficiency could not brook.

Most of all Mr. Pratt admires the wonderful new system of government introduced by Napoleon: "the method of specialists working together under a coordinating head." It was a good system, but Napoleon did not introduce it. The Revolution was not so disorderly as the author thinks, and the eighteenth century was not so ruled by the absolutist concept of perfection flowing from the head of the state as he imagines. If anything the eighteenth century before the Revolution was the age of enlightened despotism, and it was as inheritor of the mandates of that age that Napoleon appealed to his contemporaries. Not Napoleon, but a pre-Revolutionary monarch, Frederick II of Prussia, wrote: "A sovereign must possess an exact and detailed knowledge of the strength and weak points of his country"; and for almost a half-century he and most of his hard-working confreres of the purple also surrounded themselves with specialists whose work they sought to coördinate.

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The Southern Colonies in the Seventeenth Century, 1607-1689. By WESLEY FRANK CRAVEN. Vol. I of *A History of the South.* Baton Rouge, Louisiana State University Press, and The Littlefield Fund for Southern History of the University of Texas, 1949.—xix, 451 pp. $6.00.

Professor Craven's authoritative review of the Southern colonies in the seventeenth century is an auspicious start for the new multivolume coöperative venture, *A History of the South.* As neither slavery nor the large plantation economy was a characteristic feature of the early colonial South, sectional consciousness was largely absent. In fact, Professor Craven himself admits that the task of writing of the South "when there was no South", when the Southern colonists thought of themselves as Europeans or Englishmen, was not without difficulty. But instead of giving a false emphasis to those distinguishing features later associated with the Southern way of life, he has chosen to write a straightforward account, political rather than institutional in emphasis, with careful attention to revisionist views and with literary distinction.

To most colonial historians, New England means Massachusetts and the South means Virginia. In this respect Professor Craven, whose early investigations of the London Company gave him intimate acquaintance with the problems of Virginia's founding, is no exception, and some will feel that the author has laid himself open to criticism for disproportionate attention to the Old Dominion. The organization of the volume is along traditional lines and its approach bears many similarities with Charles M. Andrews' *Colonial Period of American History.*

The results of recent research as well as new historical emphases are found throughout the study. Appropriate attention is paid to the Hakluyts as geographers, propagandists of colonization, and shrewd realists who saw the future colonies, not as areas for drawing off a surplus population, but as helping unemployment at home by stimulating trade and navigation. Geographical aspects of settlement are highlighted, and the author contrasts modern man's approach to the problem of settlement in terms of controlling a large area of contiguous territory with the objectives of the early colonists, who thought primarily in terms of the security of navigation. One of the most valuable sections of this meaty volume is the analysis of the evolving rôle of the county court in administrative as well as judicial business.

Controversial issues are handled by Professor Craven in a judicious spirit. The author supports the conclusions of Wertenbaker, more recently corroborated for the Eastern Shore by Susie B. Ames, showing

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that the small farm and the yeoman farmer remained dominant to the close of the seventeenth century. His account of Nathaniel Bacon's objectives is temperate and he betrays scant sympathy for the view that Bacon was a "torchbearer of the Revolution". The statement that Berkeley was able "to reassert his authority without assistance from England" leaves out any reference to the ways he did it—his treacherous dealings with Bacon's lieutenants. Craven emphasizes the issue of political privilege in the revolt, but others have also noted a strong class consciousness evidenced by the significant servant uprisings shortly preceding the insurrection.

Occasionally historians will take issue with the author. The late Charles M. Andrews, for example, would hardly have gone along with the extreme view that "Virginia's timeworn Cavalier tradition has little basis in historical fact," nor would he have been likely to have subscribed to Mr. Craven's perhaps overly sympathetic treatment of the Calvert family. Exceptions might also be properly taken to Craven's comparison of the treatment of indentured servants with the traditional handling of children by their parents. True, apprentices living in the household might at times have been treated like younger members of the family, but there is abundant evidence that the white field hands were harshly and even cruelly exploited.

It is also a source of some disappointment that, in reviewing the Southern land system, the author gives no account of the attempts to reform Virginia land-grant practices, to which subject Fairfax Harrison has made valuable contributions. In one real property issue an error must be noted. Professor Craven speaks of the law of inheritance as "still democratic, being that of partible descent, under a statute of 1673, and the laws of primogeniture and entails against which Jefferson would war had not yet been enacted" (p. 405). The statute cited by the author (Hening, II, 303) actually refers to the distribution of *personal* property among the children. Primogeniture was firmly established at law, even though, prior to the codification of 1662, the lands of an intestate were salable by his administrators instead of passing directly to the heir. Entails needed no colonial legislation to be put into operation as *De Donis Conditionalibus* was clearly accepted in Virginia, although the fee tail in practice was not too widely employed in the seventeenth century.

These are truly minor differences of fact or interpretation, however. Among scholars there should be no disagreement that this is the best one-volume synthesis of the early colonial South that has yet been written.

COLUMBIA UNIVERSITY RICHARD B. MORRIS

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BOOK NOTES

If there is one thing more strange than others in the very strange book, *The Economic Theory of a Socialist Economy*, by Burnham P. Beckwith (Stanford, Stanford University Press, London, Oxford University Press, 1949; viii, 444 pp. $5.00), it is the author's prefatory claim that "There will be more articles and books written on Socialist economics than have ever been written on Capitalist economics, and in that long series the present work will still rank as a pioneer study" (page v). For this modest statement follows an acknowledgment of the contributions to the economic theory of socialist economies made by such writers as Hall, Dickinson, Lange and Lerner. In the remainder of his book, Dr. Beckwith leaves one at a loss to imagine on what grounds he considers his work pioneering. There can be no doubt about the book's being ambitious. Its purpose is to draw a blueprint for a socialist economic order, and a blueprint detailed with respect to the planning of production, the avoidance of unemployment, the locus of control, the distribution of income, and the fixing of prices. In addition to stating the theoretical considerations relevant to the performance of these tasks, the author is concerned to indicate the application of the theory to selected, illustrative industries. He follows the already acknowledged technique of applying marginal theory to the problems of socialist administration, but his handling of marginal analysis is neither original nor rigorous. More, it [illegible] refined nineteenth-century version of utility theory and upon a use of the concepts of consumers' and producers' surplus which would place an unbearable burden upon the imaginations and ingenuity of socialist administrators. Dr. Beckwith regards one of his major contributions to be a "marked emphasis upon the desirability of individual freedom in a Socialist state" (page 21). This freedom would be purely instrumental, its purpose being to make possible the maximization of individual economic satisfactions. Having asserted his commitment to this barren version of individualism, the author proceeds alternately to carry it to extreme lengths, then to whittle away at it either in the interests of increased efficiency or on the grounds that individuals are likely to want to do a great many things that are not good for them. The book is not devoid of some

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interesting insights, particularly in connection with social costs under capitalism, but it is full of gratuitous dicta, uneven in the level of analysis, and marred by unsupported quantitative comparisons between socialist potentialities and capitalist attainments.—DONALD W. O'CONNELL, Columbia University.

The Army Air Forces in World War II, Volume II, *Europe: Torch to Pointblank, August 1942 to December 1943*, edited by Wesley F. Craven and James L. Cate (Chicago, The University of Chicago Press, 1949; xxi, 897 pp. $6.00), which is the second volume of the official history of the Army Air Forces, deals exclusively with air operations in Europe from the summer of 1942 to the end of 1943. The amount of detail seems scarcely justified by the air accomplishments of the period. As a time of experiment and learning, however, these were crucial months. About half of the volume is devoted to an account of air operations in conjunction with the land assaults upon North Africa, Sicily and Italy. Here the rôle of the air forces was one of joint operation with the Army and the Navy in getting troops ashore and on toward their eventual objective. The other half is concerned with the bomber offensive against the continent, primarily based upon England. This was the Army Air Forces' own battle—the demonstration of strategic airpower engaging the enemy. The authors are frank to admit that the current assessment of results was usually exaggerated. Many pages deal with the general planning of military operations, partly no doubt because General Arnold as Commanding General of the Army Air Forces was also a member of the Joint and Combined Chiefs of Staff. Thus we learn that in October 1942 the two Navy members of the United States Joint Chiefs of Staff were "unalterably" opposed to giving a bomber offensive from England any priority over operations in the Pacific. Mr. Roosevelt intervened to give immediate assistance to the Pacific but to leave the bomber offensive still open (p. 282). Apparently, Navy-Air Force controversy goes well back into at least the early days of World War II. This reviewer believes that this volume and its predecessor, for the period and areas covered, provide the best information thus far made available on the military strategy and operations of World War II. The next volume will complete the story of operations in Europe, and two other volumes will cover activities in the Pacific. These may well be eagerly awaited by all who are interested in military history.—JOHN D. MILLETT, Columbia University.

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Foster Rhea Dulles, journalist and historian, has written a one-volume history of the American labor movement for the general reader: *Labor in America: A History* (New York, Thomas Y. Crowell Company, 1949; 402 pp. $4.50). Tracing the growth of organized labor from its colonial beginnings, Professor Dulles has produced a smoothly written document. Throughout, he has made an attempt to set the story of American labor against the industrial, social and economic background of the period. For the person who has no previous knowledge of organized labor in America, Dulles has written a useful volume. Any one-volume study of so vast a subject quite naturally has its limitations. Dulles recognizes this in his preface by pointing out that "The history of individual unions, the role of women and minority groups in labor organization, the growth of workers' education and of union welfare activities, and the relation of the American labor movement to that in other countries have had to be subordinated to a more comprehensive record." To these omissions, the reviewer might add that the book is largely devoid of analytic material which might have explained the whys and wherefores of organization. Moreover, such analysis would probably give the new student or the general public, to whom the book is addressed, a better understanding of the American labor movement even if the inclusion of such material would have necessitated further condensation of the mass of factual data presented in the book. On the other hand, it is no easy task for an author to determine what should be included and what excluded when he is faced with the mass of available material about the American labor movement. The choices made by Dulles can be defended on the basis of the fact that he has written a highly readable book which has performed the difficult task of hitting the high spots of American labor history and, at the same time, of including in the history a wealth of material which needed to be made available in this form.—Herbert R. Northrup, Scarsdale, N. Y.

Arabian Oil (Chapel Hill, The University of North Carolina Press, 1949; vii, 201 pp. $3.50) by Raymond F. Mikesell and Hollis B. Chenery is a fine contribution toward appreciating the importance of the American petroleum operations in Arabia. The published data, plus some hitherto unpublished information on Arabian oil, have been summarized against a background of the world petroleum situation. The Arabian concessions, now comprising the largest single known oil reserve outside of the United States, cover an area equivalent to about one-sixth the area of the United States. In this area, inhabited by

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about 4.5 million, the American firms, operating through the Arabian-American Oil Company, set up and operate complete industrial communities to service American staffs numbering 5,000, as well as the 1,300 Italian and 15,000 Arab employees. Production at the rate of 400,000 barrels per day and an investment of over $100 million apparently mark but the beginning of an undertaking the planned investments for which will be several hundred millions more during the coming years (p. 70). The Trans-Arabian Pipeline alone, costing an estimated $225 million, will require 2,000 additional American employees, while "the demand for unskilled labor is expected to create a shortage in Arabia and the Near East" (p. 66). Economists and business men interested in problems of basing-point pricing will be interested in the suggestion that, due to growing Arabian production, the Persian Gulf area may emerge as a basing point for world petroleum pricing in addition to the traditional United States Gulf Coast (pp. 24, 140). Some beginnings have been made in modernizing Arab agriculture, raising health standards, and improving communications. Arab employees of the oil companies have opportunities for technical training and westernization. The authors suggest that for the population as a whole comparable modernization requires economic reforms, initiated by the Arabian government, including capital investments designed to raise productivity, use of technical advisors, and the like (p. 88). For executing such activities, however, the King and his successors must "overcome the opposition of the landed aristocracy and wealthy merchants to economic and political reforms" (p. 89). Three appendices present selected documents and statistical data on international petroleum economics and political agreements pertaining to Arabian oil.—SEYMOUR MELMAN, Columbia University.

Grundlinien der antiken Rechts- und Staatsphilosophie, by Alfred Verdross-Drossberg (Vienna, Springer-Verlag, 1948; viii, 183 pp. S. 45; $4.50), which has recently appeared in its second edition, develops the pre-Christian philosophy of law and state in ancient Greece and Rome. Its distinctive merit is that it does not start with the theories of Socrates and Plato, but deals quite thoroughly with the less-known pre-Platonic political philosophers. Their era begins with Hesiod and leads in the end toward the doctrine of ancient democracy. We must not forget—Verdross stresses—that Plato taught in the time of the decay of Greek democracy and approached the problems in his *Politeía* from a point of view at once skeptical and authoritarian. It was Plato's aim to accomplish a rebirth of democracy by a stronger or-

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ganization and more careful selection of the tools; therefore, he recommends a government by public employees who are to be chosen by the people at large from its own ranks, and not taken from the aristocratic classes. Verdross never forgets to point out the two main characteristics of ancient democracy which distinguish it from modern concepts: (1) that ancient democracy was only a democracy within a ruling class of full-fledged citizens to whom slaves were subjected; (2) that Greek democracy—and to a certain extent Rome as a democracy—was exclusively masculine, and ignored the political, even cultural, rights of women. Therefore, ancient democracy is much more closely related to aristocracy than the latter to modern democracy. This is a further reason that such a cultured Athenian as Plato could borrow certain ideas from the totalitarian camp-state of Sparta, with all its Doric virtues and vices. We owe special thanks to the distinguished author that he shows the development of the old ideals of international organization which were conceived by the pre-Platonic philosophers, by Plato himself, and finally by the great humanistic school of the Stoa, to which belonged the Emperor Marcus Aurelius and, before him in a sense, Cicero. Like a message of hope reads the description of the way which leads from the narrow organization of the *polis* to the universal idea of an organized community of mankind.—ROBERT RIE, Bradley University.

The scope of *European Ideologies: A Survey of 20th Century Political Ideas,* edited by Feliks Gross, with an Introduction by Robert M. MacIver (New York, Philosophical Library, 1948; xv, 1075 pp. $12.00), is wide, but only certain groups of ideas can be covered. The new [illegible] understanding of European ideologies is given from the points of view of European scholars now living in the United States. The editor, a Polish Social Democrat, who introduces every article, has not acted as a censor; honest differences of opinion seem to him very necessary to stress, so as to avoid a conformism intolerant of the shadings of opinion in conflicting European ideas. Foreign correspondents, who supply Americans with information, cannot compete with the ingrained knowledge of European scholars and politicians. The articles, therefore, have great value for anyone who wants to understand political thinking abroad, and who cannot refer to European books out of print. Particularly important are such essays as " The Liberal Tradition in Russia " and " The Evolution of Anarchism and Syndicalism " by Elias Tartak and Max Nomad. In view of Europe's urban-intellectual movements, it is very much to

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the point that the editor has maintained a proper balance by including articles on "The Destinies of the Russian Peasantry" and "Agrarianism". Special mention should be made of two worthy studies of "Zionism" and "Anti-Semitism" (J. Lestchinski). Equally valuable are the article on "Nazism" by Friedrich Stampfer, an outstanding Socialist, and that by Friedrich Foerster, the old well-known fighter, against "Pangermanism". The editor has stressed the new kind of nationalism and internationalism, regionalism and federalism in Europe (Th. Kalijarvi, Joseph Roucek, N. Doman). Though the list of contributors is most impressive, they are not all on the same intellectual level. Everyone who is interested in "The Labor Movement and Humanism" (Sidney Hook), "Economic Planning with Statism" (L. Corey), "European Trade-Unionism" (Philip Taft), "Cooperation and the Freedom of Man" (Horace Kallen) and in a thoroughgoing analysis of "Communism" (M. Nomad) will be well rewarded.

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